file S. 3341

TRAVEL EXPENSE AMENDMENTS ACT OF 1974

HEARING

BEFORE THE

SUBCOMMITTEE ON BUDGETING, MANAGEMENT, AND EXPENDITURES

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

S. 3341

TO REVISE CERTAIN PROVISIONS OF TITLE 5, UNITED STATES CODE, RELATING TO PER DIEM AND MILEAGE EXPENSES OF EMPLOYEES AND OTHER INDIVIDUALS TRAVELING ON OFFICIAL BUSINESS, AND FOR OTHER PURPOSES

JUNE 6, 1974

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TRAVEL EXPENSE AMENDMENTS ACT OF 1974

THURSDAY, JUNE 6, 1974

U.S. SENATE,
SUBCOMMITTEE ON BUDGETING, MANAGEMENT,
AND EXPENDITURES OF THE COMMITTEE ON
GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call in room 3302, Dirksen Senate Office Building, Hon. Walter D. Huddleston presiding.

Present: Senator Huddleston.

Also present: Vic Reinemer, staff director; E. Winslow Turner, chief counsel; Alan Chvotkin, professional staff member, and Jeanne McNaughton, chief clerk.

Senator HUDDLESTON. The subcommittee will come to order.

OPENING STATEMENT OF SENATOR HUDDLESTON

Today the Subcommittee on Budgeting, Management, and Expenditures is conducting a hearing on the bill S. 3341, introduced by Senator Metcalf and, at his request, I am presiding at this hearing.

S. 3341 would increase from $25 to $35 the per diem expenses paid to Federal employees traveling on official business. It would increase from 12 cents to 14.5 cents the mileage rate for the use of a privately-owned vehicle used on official business. Additionally, the bill calls for a continuous study and quarterly reports with the appropriate adjustments of employee travel costs by the Comptroller General.

There is apparent unanimity among Members and organizations that the current per diem and mileage structure is in need of revision. S. 3341 seeks to provide that revision. However, the unanimous agreement does not extend to all of the particulars of the bill.

The hearings today will provide an opportunity for those groups and Government agencies most intimately involved with the question of reimbursement for official travel to present their views on the policies, procedures and prices that should be included in this legislation.

I believe that all concerned Federal employees are represented today. Additionally, the General Services Administration with responsibility for executive branch supervision and control is represented as is the General Accounting Office.

Chairman Metcalf has indicated a desire to see this bill move rapidly through the legislative process. I agree. Each day that Federal employees are required to travel under the present rate structure presents a new obligation for them to lose money.

Without objection, I will include in the record at this point a letter to me from Senator Stafford on the bill.

[The information referred to follows:]

U.S. SENATE,
Washington, D.C., June 5, 1974.

Hon. WALTER D. HUDDLESTON,
Subcommittee on Budgeting, Management and Expenditures, Government Operations Committee, U.S. Senate, Washington, D.C.

DEAR WALTER: It would be appreciated if this letter might be made a part of the hearing record of the Subcommittee on Budgeting, Management and Expenditures of the Government Operations Committee in connection with S. 3341, a bill introduced by the distinguished Senator from Montana, Mr. Metcalf.

The writer quite frankly is an active pilot and from time to time travels by private aircraft (single engine) from Washington to Vermont and back on official business.

Since in my experience it costs considerably more than 12 cents a mile to fly an airplane suitable for cross country travel, I would respectfully ask that the Subcommittee consider making the allowance for aircraft travel at least equal to that which the Subcommittee might propose for travel by private automobile.

Sincerely yours,

ROBERT T. STAFFORD,
U.S. Senator.

Senator HUDDLESTON. Our first witness will be Mr. James Campbell, Associate General Counsel of the General Accounting Office. Mr. Campbell, you might want to identify the gentlemen who are with you and proceed with your statement.

STATEMENT OF JAMES M. CAMPBELL, ASSOCIATE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY EDWIN J. MONSMA, DEPUTY ASSISTANT GENERAL COUNSEL; JOHN MILLER, ATTORNEY WITH GENERAL COUNSEL'S OFFICE STAFF

Mr. CAMPBELL. Thank you, Mr. Chairman. On my right is Mr. Ed Monsma, Deputy Assistant General Counsel. On my left is Mr. John Miller, attorney with the General Counsel's Office staff.

Mr. Chairman, we are pleased to be afforded this opportunity of appearing before your committee to testify on S. 3341, which would revise upward the mileage and per diem rates, as well as the limitation on reimbursement for actual expenses of subsistence payable to civilian employees traveling on official business within the continental United States.

A major feature of the bill is the provision for automatic adjustments in mileage rates.

By letter dated June 4, 1974, B–5019, the Comptroller General set forth the views and recommendations of the General Accounting Office upon S. 3341. It is requested that a copy of that letter be incorporated in the hearings of this committee.

Senator HUDDLESTON. Without objection, it is so ordered.[1]

Mr. CAMPBELL. The General Accounting Office fully endorses the immediate increases in per diem rates and in the actual expense reimbursement ceiling that would become immediately effective if the bill is enacted into law.

[1] See app. II, Agency Comments, p. 40.

While we haven't conducted a specific study of the mileage rate or per diem rates, we have noted that the last change in per diem rates occurred back in 1969 and since that time the cost of living index has increased approximately 28 percent.

We also have noted numerous instances wherein our own employees traveling on official business have objected by reason of the fact that their reimbursement for their expenses has not been sufficient to cover the expenses of the official travel.

The General Services Administration has conducted a survey which would apparently justify the increase in the mileage rate, and I understand sometime ago they conducted a survey in connection with per diem rates also.

I assume that they are in a position to give you full particulars of the results of those surveys.

We do know that with respect to statutory mileage rates, there has been no change in them since 1961. In the meantime, as you know, cost of vehicles have risen, cost of maintenance has risen, costs of operation have risen. So we feel that the rates provided in the bill certainly are needed.

We also favor the objective of providing an administrative mechanism for adjusting mileage rates based upon a continuing study of the cost of operating vehicles without the necessity for enactment of specific legislation authorizing each such adjustment.

We also think that your committee should give serious consideration to providing similar authority under which per diem rates, as well as the limitation on actual expense reimbursement, could be adjusted from time to time based upon changes in subsistence costs without further action by Congress or subject to the legislative veto procedure.

Our Office is strongly opposed, however, to those provisions of S. 3341 which vest in the Comptroller General the function of conducting a continuous study on vehicle operating costs and submitting to the President periodic adjustments in mileage rates based upon such study.

The compiling of mileage statistics upon the basis of which the authorized mileage rates would be determined is primarily a function of the executive branch and the great majority of the employees who would be affected thereby are employed by the executive branch.

Further, the resources of the General Accounting Office can more effectively serve the Congress and the American taxpayer through the review of executive branch actions rather than through the performance of administrative functions.

Our firm opinion is that this function should be vested in the President or such officer in the executive branch as the President may designate.

The General Services Administration presently is vested with the function of promulgating travel regulations which govern the travel benefits of the majority of civilian employees of the Government and in our opinion the function of conducting the continuing study contemplated by S. 3341 appropriately could be vested in that agency.

In our judgment the General Accounting Office should exercise an oversight function to insure that the agency charged with the responsibility for conducting the continuing study uses an appropriate base

for determining costs of travel and follows appropriate procedures to accomplish the result contemplated by the bill.

This concludes my statement Mr. Chairman. We shall be happy to attempt to answer any questions you or the members of the committee may have.

Senator HUDDLESTON. Thank you very much, Mr. Campbell. Do the other gentlemen have statements?

Mr. CAMPBELL. Do you have anything to add, either one of you gentlemen?

Senator HUDDLESTON. You indicate, Mr. Campbell, that you do not believe the General Accounting Office is the agency to conduct the survey report on mandatory increases. Which agency within the executive branch do you believe would be best suited?

Mr. CAMPBELL. In my judgment, I would think the General Services Administration has had more experience in that. They have conducted recent studies both as to mileage and as to per diem rates.

While we have not conducted any review of those studies, we have no reason to believe that they have been based on any invalid assumptions.

Senator HUDDLESTON. Your agency, then, has not evaluated the recent studies you refer to?

Mr. CAMPBELL. No, we have not. I think this: I think by the oversight function that may be vested in our agency if our recommendation is accepted, that what you really have is a double-barrel assurance.

First, you have one agency charged with the responsibility of conducting these studies and making the recommendations, and you have the General Accounting Office which would, in effect, act as a watchdog over the studies that are presented to see that they are in sufficient form and content and reasonably reflect the actual cost of official travel in the United States today.

Senator HUDDLESTON. The bill suggests that continuing studies be made, with the possibility of these adjustments every 3 months. Do you view this as feasible—having an automatic mechanism that would put increases into effect on the basis of increased costs that might be determined by a study?

Mr. CAMPBELL. It could operate that way. I personally feel—and the Office has taken no official position on this. we really haven't considered it too much—that perhaps 3 months is a little too frequent to conduct the studies. Perhaps once every 6 months should be adequate.

Senator HUDDLESTON. Do you foresee the possibility that this might also result in a downward reduction?

Mr. CAMPBELL. Conceivably it could. I think it should.

Senator HUDDLESTON. If it reflects actual costs?

Mr. CAMPBELL. If it reflects actual cost reductions. I don't foresee it happening in the near future.

Senator HUDDLESTON. If the executive branch is given this responsibility in the bill, reviewing and reporting, what type of oversight responsibility would you see for the GAO?

Mr. CAMPBELL. I would think that the General Accounting Office ought to. If they don't examine the results of each and every survey that they make, I think they should periodically take a look at the

practices and the methods by which the GSA is conducting these surveys and developing these costs, to see that they are based upon sound principles.

Senator HUDDLESTON. Primarily to determine if the procedure is correct?

Mr. CAMPBELL. Yes. I think it would be a great duplication of effort for the General Accounting Office to go out and verify each fact and figure that GSA comes up with, but at least we could examine very carefully the base that they use for developing this information.

Senator HUDDLESTON. You didn't mention the GAO position on the various rates that would be paid for use of privately owned automobiles, vehicles. Does the GAO have a position on this?

Mr. CAMPBELL. Do you mean the 14.5 cents provided in the bill, sir?

Senator HUDDLESTON. Yes, that is correct.

Mr. CAMPBELL. We don't have a position. We don't know exactly what it should be because we have conducted no study. It seems to me that based upon substantial increases in costs of living since these mileage rates were last developed back in 1961—the cost of living has risen approximately 60 percent since that date—and since you are only advancing the mileage rate 2.5 cents, that this is not an unreasonable figure.

Senator HUDDLESTON. Do you have any suggestions on how the language requiring written authorization for use of a privately-owned vehicle might be written so as to reflect both the committee's intent and not present an unnecessary hardship on Federal employees?

Mr. CAMPBELL. It is difficult to really say whether or not it does. I would think in most instances if the bill is properly administered and there is no abritrary action on the part of the official in refusing to grant the use of a privately owned automobile in appropriate cases, there shouldn't be hardship.

In the event you do have some arbitrary action on the part of the authorizing official, then you would have hardship. I don't know how you could prevent that in legislation.

Senator HUDDLESTON. It seems to be a problem.

You pointed out correctly that S. 3341 doesn't provide corresponding increases for the legislative branch of Government. Do you think the GAO ought to conduct a study and report on increases for the legislative branch, too?

Mr. CAMPBELL. No. I think that is primarily a matter for Congress to decide. Actually, I guess the House does it by House rule and the Senate does it by legislation.

Senator HUDDLESTON. It seems like Congress ought to be able to take care of itself, then.

Mr. CAMPBELL. Right.

Senator HUDDLESTON. The bill doesn't address itself to the question of the use of private aircraft by public employees.

Do you have any position on that—should the bill be extended to include costs incidental to the use of private aircraft as well as the mileage that is available to them?

Mr. CAMPBELL. I don't know how much travel employees do by privately owned aircraft. I don't know that there is a real problem on that today. Do you have any information on that, Ed?

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Mr. MONSMA. I think a couple of years ago there was a move on to get a special mileage rate for use of privately owned aircraft, and OMB and the Interior Department and the Agriculture Department do have some use of privately owned aircraft which is really advantageous to the Government in some specific circumstances.

The executive branch did make a study, and as I recall, they came up with a figure of about 22 cents a mile.

I think that there has been information developed in the executive branch which would provide a basis for incorporating a specific mileage rate for airplanes, and hopefully, the General Services Administration will be prepared to furnish that to you.

Mr. TURNER. Mr. Campbell, I wonder if you might comment on the suggestion that there are areas in the country that are much more expensive than other areas. Those who are going to testify, I believe, will comment on this disparity of costs between different areas.

Do you think it is a good idea to try to get some kind of flexibility in the payment of per diem to reflect that?

Mr. CAMPBELL. We really haven't given too much consideration to that particular problem. We do know that certainly there are high-cost areas in the country in comparison to other areas.

There might be some problems in determining exactly what the confines of these high-cost areas are. For instance, New York City is certainly a high-cost area, San Francisco a high-cost area, but how far out into the metropolitan area of those cities does that high cost prevail?

I don't know that we are in a position to say yes or no to a question like that. I certainly think it warrants thorough consideration.

Mr. TURNER. You say in your statement: "We propose that the Comptroller General be directed to conduct a study of the actual costs of employee living expenses while in travel status for the Government."

So I guess the best we can say is that if in fact you are so ordered to conduct a study, that you will take into consideration this diversity of costs.

Mr. CAMPBELL. I would think we would, yes, if we are ordered to do so.

Mr. TURNER. Also, would it not be helpful to make a study of what the private sector pays for reimbursement of its employees when they are in a status similar to Government employees, to see what relationship the private sector has to the Federal sector, as we have looked at private salaries vis-a-vis Federal salaries?

Mr. CAMPBELL. I think it certainly would be appropriate to look at the private sector. The problem is in the private sector whether they grant the same type benefits to all employees depending upon their status and salary in a private organization.

It may be that the top level employees get very great benefits in comparison to what the lower salaried employees would receive.

So I don't know what base you would use in the private sector to apply to Government employees, all of whom receive the same.

Mr. TURNER. You could have some kind of cost comparability by salary or position status, and that sort of thing.

Mr. CAMPBELL. I think it should be looked at.

Senator HUDDLESTON. Thank you, Mr. Campbell and gentlemen. Mr. Ronald Zechman, Associate Administrator for Federal Management Policy of the General Services Administration.

STATEMENT OF RONALD E. ZECHMAN, ASSOCIATE ADMINISTRATOR FOR FEDERAL MANAGEMENT POLICY, GENERAL SERVICES ADMINISTRATION; ACCOMPANIED BY ROBERT CHANDLER, CHIEF OF PASSENGER TRANSPORTATION SERVICES BRANCH, FEDERAL SUPPLY SERVICE; GORDON YAMADA, DIRECTOR OF MANAGEMENT SYSTEMS AND SPECIAL PROJECTS, OFFICE OF FEDERAL MANAGEMENT POLICY; ED DUIGNAN, CHIEF COUNSEL, FEDERAL MANAGEMENT POLICY, GENERAL SERVICES ADMINISTRATION

Mr. ZECHMAN. Good morning, sir. My name is Ronald E. Zechman, Acting Associate Administrator for the General Services Administration. I would like to introduce the members of the staff who are supporting me.

To my far left is Mr. Robert Chandler, Chief of Passenger Transportation Services Branch, Federal Supply Service; to my immediate left is Mr. Gordon Yamada, Director of Management Systems and Special Projects, Office of Federal Management Policy; and to my right is Ed Duignan, Chief Counsel, Federal Management Policy, GSA.

Mr. Chairman, I appreciate the opportunity to appear before this committee today on behalf of Arthur F. Sampson, Administrator, GSA, to present our comments on S. 3341, relating to per diem and mileage expenses.

We strongly support the overall objective of the proposed legislation to increase per diem and mileage allowances. We do, however, have some differences in the manner in which these increases are implemented and, therefore, have submitted a draft bill to Congress, a copy of which is attached, for the record.

[The information referred to follows:]

A BILL To revise certain provisions of title 5, United States Code, relating to per diem and mileage expenses of employees and other individuals traveling on official business, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subchapter I of chapter 57 of title 5 United States Code, is amended as follows:

(1) In Section 5701, by striking out "and" at the end of paragraph (5), by striking out the period at the end of paragraph (6) and inserting in lieu thereof "; and", and by adding the following:

"(7) 'major city locality' means a city or metropolitan area designated as such by regulation prescribed under section 5707 of this title."

(2) In section 5702(a), by striking out "$25" and inserting in lieu thereof "$30";

(3) By changing the language of section 5702(c) to read as follows:

"(c) Under regulations prescribed under section 5707 of this title, the head of the agency concerned may prescribe conditions under which an employer may be reimbursed for the actual and necessary expenses of the trip, not to exceed an amount named in the travel authorization, when the maximum per diem allowance would be much less than these expenses, due to—

(1) the unusual circumstances of the travel assignment, in which case the amount named in this travel authorization may not exceed—

(a) $50 for each day in a travel status inside the continental United States; or

(b) the maximum per diem allowance plus $23 for each day in a travel status outside the continental United States; or

(2) a travel assignment to a city or metropolitan area designated by regulations prescribed under section 5707 of this title as a 'major city locality', in which case the amount named in the travel authorization may not exceed the amount stated in the regulation so designating the locality."

(4) In section 5703(c), by striking out "$25" and inserting in lieu thereof "$30".

(5) In section 5703(d), by striking out "$40" and "$18" and inserting in lieu thereof "$50" and "$23", respectively.

(6) In section 5704(a) by:

(a) striking out "12 cents" and inserting in lieu thereof "18 cents" at the beginning of paragraph (2);

(b) striking out the words "or airplane" at the end of paragraph (2) and inserting after the semicolon the word "or"; and

(c) adding at the end thereof a new paragraph as follows:

"(3) 24 cents a mile for the use of a privately owned airplane;"

(7) In Section 5704(b) by:

(a) striking out the word "and" after semicolon at the end of paragraph (2);

(b) striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(c) adding at the end thereof a new paragraph as follows:

"(4) landing and tiedown fees."

SEC. 2. The seventh paragraph under the heading "Administrative Provisions: in the Senate section of the Legislative Branch Appropriation Act, 1957 (70 Stat. 360, as amended, 2 U.S.C. 68(b)), is amended by striking out "$25" and "$40" and inserting in lieu thereof "$30" and $50", respectively.

Mr. ZECHMAN. Specifically, our draft bill proposes the following:

Raise per diem maximum from $25 to $30 (rather than $35 as in S. 3341).

Raise actual subsistence maximum from $40 to $50 (same as S. 3341).

Raise per diem maximum for travel outside of the continental United States from $18 to $23 (not contained in S. 3341).

Set special locality rates for major cities where the maximum per diem rate would be inadequate to meet the average cost of lodgings and meals (not contained in S. 3341).

Set statutory maximums of $0.18 per mile for automobiles and $0.24 per mile for airplanes—compared with $0.145 and $0.12, respectively, to be adjusted on an actual cost basis quarterly in S. 3341. Landing and tiedown fees not included in S. 3341 are also provided in our draft proposal.

Executive Order 11609 of July 22, 1971, vested in the Administrator of General Services the authority of the President to prescribe regulations under 5 U.S.C. 5707. The current Federal Travel Regulations, promulgated by the General Services Administration, are those which became effective on May 1, 1973 (41 CFR 101–7).

In view of rising costs associated with travel, especially in major metropolitan areas, the General Services Administration initiated a study to determine the adequacy of present travel allowances for Federal employees.

The study involved approximately 13,000 actual employee travel experiences representing 63,000 man-days of travel taken over a period of 3 months in 1973, and included 22 agencies of the executive branch.

This reflects seven-tenths of 1 percent of the total number of man-days of travel. Results show that the present $25 per diem rate was inadequate for over 50 percent of the reported travel.

This was due, primarily, to the increased average costs of approximately 24 percent in food and lodging expenses since 1969, the year of the last per diem increase.

The Consumer Price Index level reflects this fact. The study also disclosed that actual subsistence expense allowances of up to $40 per day were authorized in only 3 percent of the travel reported.

We, therefore, propose in our draft bill that the maximum statutory per diem allowance be increased from $25 to $30; the maximum statutory actual subsistence expenses in the continental United States be increased from $40 to $50 per day; and the permissible amount in addition to the maximum per diem allowance established for the locality for travel outside the continental United States be increased from $18 to $23 per day.

Section 2 of our draft bill would provide the same changes in the $25 and $40 limitations imposed upon the Senate by the Legislative Branch Appropriation Act, 1957, as amended.

In spite of these increases, the allowances will not be sufficient to take care of those employees traveling to major cities such as New York and San Francisco. Based on published commercial lodging and meal expenses, it would require an average of $45 per day for adequate lodgings with three average meals, including tips and taxes.

For that reason, it is proposed in our draft bill to permit the reimbursement of actual and necessary expenses of a trip when they are much more than the maximum per diem allowance, due to a travel assignment to such major cities and metropolitan areas. Under present law this reimbursement is permitted only when the higher expenses are due to "unusual circumstances."

Based on a $30 statutory per diem rate, it is anticipated that there would be approximately 10 major city areas at the present time where travel expenses would exceed the maximum per diem rate by 10 percent or more and would therefore be designated as a "major city locality."

A maximum rate would be stated in the governing regulations for each major city area so designated, but in no case will the rate established exceed the $50 statutory maximum actual expenses allowance.

It is further anticipated that the maximum locality rates would be reviewed at least annually and adjusted, as appropriate, within the proposed ceiling of $50 per day. These major city locality rates would be prescribed as maximums only, and when actual subsistence expenses incurred in any one day are less than the maximum authorized, the traveler will, of course, be reimbursed only for the lesser amount.

I wish to call to the attention of the chairman that due to an oversight the sentence applying to the $50 per day maximum to the major city locality rate was omitted from our draft substitute bill. The sentence, "In no case may the amount stated in the regulations exceed $50 per day," should be added to the last sentence of paragraph 5702 (c)(2) of the proposed draft bill.

We believe this major city locality rate method to be a means of meeting the demonstrated needs of Federal employees who must travel

on official business, which is preferable to increasing the maximum per diem rate to a level sufficient to meet these particular circumstances of travel.

It will relieve the situations which are now causing most of the hardships experienced by Federal employee travelers, while the proposed increase in the maximum per diem rate will adequately cover the remainder.

We feel that the $35 per diem proposed in S. 3341 would not be sufficient to cover the cost of travel to some major cities, but be too high for the majority of travel.

Under our proposed draft bill, the maximum yearly cost impact based on a per diem increase to $30 would be approximately $24 million over the present rate ($25), plus an additional increase of approximately $10 million based on the establishment of the major city locality rate method.

We estimate an across-the-board increase to $35 as proposed in S. 3341 would in comparison have a maximum cost impact of approximately $47 million over the present $25 rate. Thus, calculations based on our sample indicate that our proposed draft bill would result in a lower cost of up to $13 million for travel of some 9.4 million man-days per year.

While these figures are based on payment of maximum per diem for all travel, which would not be the actual case, it does serve to support our opinion that the proposed draft bill would satisfy the traveler's needs, yet result in lower costs to the Government than S. 3341.

A recent study by GSA of automobile operating costs indicates that the cost of operating a privately owned automobile as of April 1974 was 14.4 cents a mile.

Another study which we recently completed relates to costs associated with operating a privately owned airplane. As determined in this study, the cost of operating a privately owned, single-engine, piston airplane, as of December 1973, was approximately 20.6 cents per mile, exclusive of landing and tiedown fees.

Although our studies indicated operating costs of 14.4 cents per mile for privately owned automobiles and 20.6 cents per mile for privately owned airplanes, we recommend that the statutory rates be set at 18 and 24 cents per mile, respectively. This would allow us latitude in prescribing reimbursement rates within the statutory maximums that will equate to the current costs of operating these conveyances.

Additionally, we recommend that 5 U.S.C. 5704(b) be amended to permit reimbursement for landing and tiedown fees in addition to the mileage allowance prescribed for privately owned airplanes.

This proposal is not in S. 3341. Although similar costs such as "parking fees," "ferry fares," and "highway tolls" may be separately allowed under 5 U.S.C. 5704(b) there is no clear or specific statutory language for separately allowing the expenses of "landing" or "tiedown services" when a privately owned aircraft is authorized for use on official business.

A revision in the law to specifically allow separate reimbursement for these costs will insure a closer relationship between expenses in-

curred and the amount of reimbursement and will standardize the allowances as they relate to both automobiles and airplanes.

The estimated annual costs impact for each 1 cent per mile increase for privately owned vehicles is $3.8 million and for privately owned airplanes is $11,000.

If the rates for reimbursement are set at 15 and 21 cents, the estimated annual total cost impact would be $11.5 million more than today's inadequate allowance. Since both S. 3341 and our proposal are designed to provide reimbursement based on current costs, there is no advantage in terms of lower mileage costs for either bill.

The Office of Management and Budget advises us that these increases in travel costs will be largely absorbed by the individual agencies within their available appropriations.

This concludes my prepared statement, Mr. Chairman. I will be happy to respond to any questions you may have.

Senator HUDDLESTON. Thank you very much.

In arriving at your figure of $30 per diem rather than the $35 as the bill proposed, were you dictated more by the costs to the Government of meeting this increase or by the actual costs of living for the employees?

Mr. ZECHMAN. It is based on increased cost of travel to the employee as revealed by our recent studies and the Consumer Price Index changes since the last per diem increase in 1969.

Senator HUDDLESTON. You mentioned that your figure of $30 a day would cost considerably less, of course, than a figure of $35.

I was wondering whether you were principally concerned with the cost to the government or the adequacy of reimbursement for the employee.

Mr. ZECHMAN. Yes, sir. In most parts of the country, Mr. Chairman, the $30, we feel, would be adequate. It is in the major metropolitan areas where a higher rate is required.

Senator HUDDLESTON. You mentioned some 10 areas, which are major, special areas.

Mr. ZECHMAN. Yes.

Senator HUDDLESTON. What kind of bookkeeping and administrative problem would be involved in having a differential in major areas?

Mr. ZECHMAN. Very little. It would basically entail similar administrative costs as are now being encountered under the present allowances. The traveler would be paid the locality rate for the metropolitan city area listed on the travel orders. The metropolitan area will be established in a manner such as defined by the Bureau of the Census.

Senator HUDDLESTON. Do you have any estimate on the number of Federal employees who use their own cars for Federal business?

Mr. ZECHMAN. We do not have this specific total, sir. We have conducted studies from which some estimates can be made. I have data on eight agencies and it is related in miles. I do not have the number of vehicles, but for eight of the Cabinet agencies, it comes to 231 million miles paid at the 11-cent rate which is based on use of the POV when it is advantageous to the Government. However, there are two additional rates of reimbursement when use of POV is for the convenience of the employee. We have no mileage data for this travel.

Senator HUDDLESTON. Is it fairly well distributed among the various departments?

Mr. ZECHMAN. No. I think primarily in the Treasury Department because the Internal Revenue Service has 90 million miles; HEW has 42.4; HUD approximately 42 million, Commerce 23, and Agriculture 15.

Senator HUDDLESTON. Do you have the figures for the expenditure necessary to cover that mileage?

Mr. ZECHMAN. You would have to project that at 11 cents per mile times 231 million miles. This results in a total of $25.4 million.

Senator HUDDLESTON. Have you analyzed S. 3341 as it was written?

Mr. ZECHMAN. Yes, sir.

Senator HUDDLESTON. With the idea of arriving at any figure of cost, the total cost of it if it were in effect based on the present travel volume?

Mr. ZECHMAN. Yes, sir. In our statement, we made a comparison. This comparison assumed all travelers receive the maximum rate—our calculations show that S. 3341 would cost $47 million compared to $34 million for our proposal.

Senator HUDDLESTON. In your proposed language in section 5707, you allow flexibility for each agency to determine the conditions under which an employee might be reimbursed for the actual and necessary expense of travel.

Does that cause problems? Why not centralize this determination rather than have a multiplicity of reimbursement schedules?

Mr. ZECHMAN. The law provides that the head of an agency may prescribe conditions under which an employee may be reimbursed for the actual and necessary expenses of travel. Our travel regulations provide guidelines to the agencies for determining each agency a certain amount of conditions justifying reimbursement of actual and necessary expenses.

As between Agriculture and DOD, there are a number of variances.

Senator HUDDLESTON. It does result at least in the possibility that some employees would be favored in reimbursement over others, and some inequity may develop.

Mr. ZECHMAN. Yes, for example, the Department of Agriculture, travels primarily to the rural areas of the country where the cost of lodging may not be as burdensome as to an agency which travels to metropolitan areas.

Sentor HUDDLESTON. Did your study develop any comparisons between what private enterprise pays in the mileage allowances and per diem as compared to the Government?

Mr. ZECHMAN, Yes. One of the two sources available to us in making the study is a document prepared by Runzheimer & Co., Inc., Rochester, Wis. The other is the Bureau of Labor Statistics. We found that the private sector relies very heavily on the Runzheimer Meals/Lodging Cost Index, which provides lodging and meals for 100 major cities. They update 25 cities each quarter. So once a year every city is updated. They give three ranges: a low, medium, and high. The figures that we used are the medium range for all metropolitan areas.

Senator HUDDLESTON. Under mileage, your study developed cost of something just under 14.5 cents. You are proposing 18 cents per mile?

Mr. ZECHMAN. Yes, sir. As a statutory maximum.

Senator HUDDLESTON. What is the reason?

Mr. ZECHMAN. The reason for that, sir, is that with the fluctuation in the price of gasoline and other operating costs of the automobile, we would not have to come back to the Congress next year again. This legislation would set the statutory maximum and GSA would by regulation prescribe the rate based on studies of the cost of operating an automobile.

Senator HUDDLESTON. When was the date of your study?

Mr. ZECHMAN. It was in the latter part of 1973. The 14.4 cents was updated as of April 1974.

Senator HUDDLESTON. But even since then there has been some increase in gasoline at least.

Mr. ZECHMAN. Yes, sir. I would assume so.

Senator HUDDLESTON. I might point out that the Department of Transportation's estimate for April 1974 was 15 cents.

Mr. ZECHMAN. Yes, sir. In fact it is 15.9 cents based on February 1974 prices published in the April DOT report. The difference is caused by our adjustment of cost factors relating to depreciation wherein we use a 5-year depreciation rate instead of the DOT 10-year rate. Also our rate does not include parking, garaging, and tolls included in the DOT mileage rate.

By the way, Mr. Chairman, the General Services Administration would have no objection to the proposal that was submitted to this committee by the General Accounting Office. We would strongly favor that approach.

Senator HUDDLESTON. You have no objection to that.

Under your approach, though, on this flexible mileage allowance, a maximum of 18 cents, a given agency or a given department could maintain the present low figure.

Mr. ZECHMAN. The authority to prescribe reimbursement rates lies with GSA. The agency would be required to adhere to whatever rates we establish in the Federal Travel Regulations. We recently raised the 11-cent rate to 12 cents.

If we prescribe 14.4 cents, the agency would then be required to reimburse the traveler that amount.

Senator HUDDLESTON. It couldn't go any lower than that?

Mr. ZECHMAN. No, sir, not under the prescribed circumstances of travel for that rate of reimbursement.

Senator HUDDLESTON. The suggestion is that the update be on the basis of a quarterly one. Is this a reasonable length of time?

Mr. ZECHMAN. We would prefer to do it annually. However, I think we should retain the flexibility. A good example would be what occurred in the cost of operating a vehicle during the last 6 months, during the energy crisis. I think it would only be prudent management to review it on a more current basis.

However, in general, I think an annual basis would be satisfactory. We have to take the factors at that time into consideration, sir.

Mr. TURNER. Mr. Zechman, we just heard testimony from Mr. Campbell of the GAO that indicated that there hadn't been a change

in the motor vehicle reimbursement since 1961, where I believe it was 12 cents a mile.

Mr. ZECHMAN. That is the statutory maximum rate. It was only recently that we authorized the use of the 12-cent rate which is the statutory maximum that we can administratively authorize under the present law.

Mr. TURNER. But that was the maximum?

Mr. ZECHMAN. Yes, sir.

Mr. TURNER. In that period of time, from 1961 to 1974, Mr. Campbell suggested there was a 60 percent increase in the cost of living. So I am a little bit concerned as to your recent study which says that the cost of operating a privately owned automobile should be 14.4 cents and your recommendation as a maximum to be 18 cents.

Since 1961 there has been such a substantial increase in the cost of living, I see your 18 cents as a maximum and perhaps the bulk of the auto mileage reimbursement will be down around 14.4 cents. Isn't that what you contemplate?

Mr. ZECHMAN. First of all, I don't know what the actual reimbursement was in 1961. It was something significantly less than 12 cents. There have been numerous changes over the years leading up to eventually getting to 12 cents per mile in February of this year. I think I am missing your point, though.

Mr. TURNER. No, I am just trying to find out in your recommendation for 18 cents whether or not that is going to be a maximum and whether there is some floor that we can identify here.

Mr. ZECHMAN. That would be the maximum, sir. Right now, if we enacted as of today, the cost would approximate 15 cents per mile. That is the rate we would implement administratively in our regulations.

Mr. TURNER. I guess my problem is that where the period of time from 1961 to the present the maximum was 12 and perhaps the cost was something less, that this 14.4 for the future is not sufficient to be the floor. It should be something greater, because the cost of living has jumped.

Mr. ZECHMAN. The 18 is statutory, but we would base the actual, the reimbursable amount, whether it is 15 or 16, on the actual cost that would be reported from our study.

At this point it could vary. As of today, we say we would implement 15 cents a mile as an adequate reimbursable figure.

Senator HUDDLESTON. You mentioned you thought the adjustments ought to be made annually, but would the study be continuous?

Mr. ZECHMAN. Yes sir. It would be a continual update on the information to point out to us whether there are major variances which could occur on a short term basis. If our figures did not indicate any major variances, we would issue an update on an annual basis. However, if, as I cited earlier, sir, with the energy crisis or if gas prices went up drastically, we would then come out with an interim update to the regulations so that the Federal employees would be adequately compensated for the costs for operating their vehicle.

Senator HUDDLESTON. Thank you.

Mr. ZECHMAN. Thank you, Mr. Chairman.

Senator HUDDLESTON. We will next hear from Vincent L. Connery, president of the National Treasury Employees Union.

STATEMENT OF VINCENT L. CONNERY, PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION; ACCOMPANIED BY MARY CONDON GEREAU, DIRECTOR OF LEGISLATION; JERRY KLEPNER, DIRECTOR OF COMMUNICATIONS

Mr. CONNERY. Mr. Chairman, I am accompanied here this morning on my left by Mrs. Mary Condon Gereau, director of legislation; and on my right, by Mr. Jerry Klepner, our director of communications.

My name is Vincent L. Connery. I am president of the National Treasury Employees Union, formerly the National Association of Internal Revenue Employees.

Our union has been elected the exclusive representative of more than 60,000 Treasury Department employees, including over 90 percent of the employees of the Internal Revenue Service who are eligible to be represented by a union.

We welcome this opportunity to comment on S. 3341, a bill which is designed to remedy one of the most pressing problems faced today by countless Federal employees who must travel or use their own automobiles as a regular part of their jobs.

Because of grossly inadequate mileage and per diem allowances, tens of thousands of Federal employees are being forced to subsidize the Government. They must, in effect, use their personal funds to supplement cost which should be completely borne by the Federal Government.

Employees of the Treasury Department, like those in other Federal agencies, are required by the nature of their work to travel. Thousands of these men and women who are employed by the Internal Revenue Service, Bureau of Alcohol, Tobacco, and Firearms, and the U.S. Customs Service are assigned away from their home office for periods of several days, weeks, or even months to conduct audits, investigations, and other necessary duties.

Others, from time to time, are called in to regional and national office meetings held in cities far from their work sites. In each instance, these employees must stay in hotels or motels and, of course, incur lodging and food expenses which are far greater than the present reimbursement rates.

Even when overnight travel is not required of them, these same employees, and scores of others, must use their own automobiles to conduct vital government business because of poor public transportation and the failure of the General Service Administration to provide sufficient Government vehicles.

In the Collection and Audit Divisions of the Internal Revenue Service alone, ther are more than 20,000 employees who regularly use their own cars for the convenience of the Government.

Most of these employees travel extensively, many more than 13,000 miles per year on Government business. When the present mileage allowance of 12 cents is compared to the actual cost of operating an automobile, which a recent Department of Transportation study [1] concluded was 15.9 cents per mile, one can readily see that these employees are losing 4 cents for each and every mile they drive on behalf of the Government. For those employees who drive their own cars on Gov-

[1] See p. 58.

ernment business more than 13,000 miles per year, the annual cost to the employee is at least $250.

The employees of the Federal Government should not be forced to bear a significant amount of the expense necessitated by their travel. Strictly speaking, they are not obligated to use their own cars on Government business; however, if they did not, the entire enforcement effort would collapse for lack of transportation.

To further penalize these officers by requiring them to operate their own vehicles at a substandard rate of reimbursement is grossly unfair.

Therefore, we strongly urge the Congress to increase the mileage allowance to the going rate according to Government studies at the time of enactment.

As presently drafted, S. 3341 would boost the allowance to 14.5 cents per mile, which was the actual cost of operating a standard size automobile at the time the legislation was introduced.

However, as I mentioned earlier in this testimony, the most recent study by the Department of Transportation, which is attached to this statement, shows that the cost has risen to 15.9 cents per mile.

In view of the rapidly escalating costs of operating a vehicle, the legislation should be amended to provide for a reimbursement rate that is commensurate with operating costs at the time the bill is signed into law.

One of the most realistic features of S. 3341 is the provision that the General Accounting Office conduct a continuing study of mileage rates and that the rates should be adjusted quarterly based upon the GAO cost reports.

This, then, would enable Federal employees to be reimbursed on a continuing basis, under a cost operation rate that has been fairly determined, thereby eliminating the necessity of legislating in this area every few months.

We are convinced that the GAO, rather than the General Services Administration which is administering the present program, should conduct the cost studies and establish the rates. We have more confidence in the congressional agency than we do in the executive branch of the Federal Government, which has demonstrated little concern for Federal employees in all matters that involve increased expenditures.

For months, while the costs of operating an automobile were escalating rapidly, the GSA clung to the provenly outdated 11-cent rate even though the statute authorized a 12-cent allowance. Only after tremendous pressure from our union, and many others, was brought to bear on this agency did it finally relent on February 8 of this year, and increase the allowance to the 12-cent statutory maximum.

In the meantime, tens of thousands of Federal employees continued to lose a considerable amount of money which they should never have been forced to pay out of their own pockets.

Even though the GSA did increase the allowance in February, the fact is that its own studies showed that the cost of operating an automobile was actually 14.5 cents per mile as of the end of 1973.

It would seem reasonable to expect that GSA would have proposed legislation to increase the mileage rate at least 6 months ago, but such has not been the case. To our knowledge, GSA has done absolutely nothing to relieve Federal employees from the burden of inadequate mileage reimbursement rates.

For these and many other reasons, the responsibility for determining the mileage rates under S. 3341 should be placed in the General Accounting Office.

Turning now to the matter of per diem, everyone knows that a $25 allowance is grossy inadequate. For example, such rates of reimbursement in the local area are absurd if fairness and equity are the criteria.

Commercial hotels in the area such as the Roger Smith charge $20 to $31 per day; the Statler Hilton charges $26 to $38 per day; the Ramada Downtown charges $24 to $28 per day; and the Holiday Inn Downtown charges $22 to $26 per day.

Other major cities are the same or even higher. To mention but a few: In Atlanta—the Marriott charges $27 to $36 per day; the Hilton charges $19 to $24 per day; the Sheraton charges $30 and up.

In St. Louis: the Marriott $25 to $32 per day; the Hilton $20 to $24 per day; the Sheraton $20 to $24 per day.

In Boston: the Marriott $28 to $32 per day; the Hilton, $20 to $24 per day; the Sheraton, $23 to $33 per day.

In Los Angeles: the Hilton, $24 to $35 per day; the Sheraton, $28 to $30 per day.

We are not advocating that employees should stay in top luxury hotels, we are merely quoting standard commercial hotel rates. The fact of the matter is that medium priced hotels and motels now charge rates ranging from $20 to $40 per day.

It must be kept in mind that employees must also pay for their meals out of the per diem allowance. As we all know, meal prices are also escalating daily. The result is that Federal employees who are required to travel are considerably out-of-pocket because of the restrictive $25 per diem allowance. And while the employee travels, his family expenses continue at the same rate as if he were at home.

A summary of single room costs for medium-priced hotels in selected cities is attached to this statement.[1] In smaller cities, rates are likely to be lower, but it is to the metropolitan areas that most travel is scheduled.

The vast majority of the Federal work force is located in and around metropolitan cities, and it is to these areas, where the hotel rates are the highest, that most Federal employees must travel on Government business.

Therefore, we strongly urge the Congress to raise the per diem allowance to at least $35 within the continental United States, as well as to increase the per diem rate from $40 to $50 for expenses under unusual circumstances.

In fact, we believe that in certain high cost cities such as New York, San Francisco, Chicago, Dallas, Honolulu, Anchorage, and others, the rate should be established by the Comptroller General based on studies conducted by the GAO.

The same procedure as provided in S. 3341 for determining mileage rates could be established for determining per diem allowances and in turn, certain high cost areas should be identified and per diem rates in those cities adjusted accordingly.

On behalf of the National Treasury Employees Union, I appreciate this opportunity to share our views with the Congress. If there are any questions, I will be happy to answer them at this time.

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[1] See p. 73.

Senator HUDDLESTON. Thank you, Mr. Connery. You went into some detail on the need for the special allowances in high cost areas that the other two witnesses this morning have already testified on.

Did testimony that you heard from these two witnesses comply pretty much with your thinking about that need?

Mr. CONNERY. They don't jibe with my experience, Mr. Chairman. I was a Revenue Agent for 18 years before assuming this job. The gentleman from GSA was unable to state what he was paying in 1961. But I can tell you what he was paying while the maximum was 12 cents per mile, as he stated.

The Internal Revenue Service was paying 8. They had recently moved up from 6. The Internal Revenue Service, as he indicated, was probably the highest mileage user in the Federal Government and over the years they have been absolutely the cheapest paying.

Senator HUDDLESTON. Are you suggesting the departments are paying different rates?

Mr. CONNERY. Yes, sir. As a matter of fact, in 1961, I had the experience of being in attendance at a grand jury. At that grand jury there were various witnesses, many from the FBI and other investigative agencies. In the course of waiting for my turn. I had occasion to be chatting with these people and I learned that the FBI agent sitting next to me was getting 10 cents.

My family, for example, farms in Kansas and at the time that I was getting 8 cents, little old ladies that would call at the farm about various Department of Agriculture studies and the like, were getting 10 and 11 cents then.

Senator HUDDLESTON. Is it your suggestion then that the rates ought to be uniform throughout the Government?

Mr. CONNERY. I think that the rates that are being paid should be the same in the particular local area, certainly. I don't know that I would extend the same rate nationwide.

I doubt that I would because there are cost differences. There is a great deal of cost difference in operating a car——

Senator HUDDLESTON. I understand that. But should each department have the same rate for the same service in the same area?

Mr. CONNERY. Yes, absolutely.

Senator HUDDLESTON. Back to my original question, both GAO and the General Services Administration witnesses indicated a need for areas to be designated as high cost areas, which you also support.

Does the bill itself and the suggestion in the bill submitted by GSA comply with your thinking on that basis?

Mr. CONNERY. In large measure, Senator, but I would observe as I started to a moment ago that I am not certain that an adjustment based on the consumer price index would adequately get to the problem of operating an automobile.

Senator HUDDLESTON. Per diem would be the factor involved mostly.

Mr. CONNERY. Yes, but if the question went to hotel rates and per diem, I think the Government should pay the same rate to everyone.

Senator HUDDLESTON. With variations in areas where the cost obviously is higher than other areas?

Mr. CONNERY. Right.

Senator HUDDLESTON. You indicated you had more confidence in surveys made by the legislative branch rather than the administra-

tive branch. But you quoted from an administration study in the Department of Transportation which had a somewhat higher figure, 15.9 cents per mile for automobiles.

Do you think there is any serious problem as to which agency or which department or branch of Government conducts a survey as long as the components of that survey and the procedures are acceptable and the input in the study is essentially the same?

Is it a big question with you whether or not GAO or GSA should have the responsibility?

Mr. CONNERY. Yes, sir. There very definitely is. Perhaps with some of the caveats which you mention, I might be less concerned. The fact of the matter is, as far as I know, no one understands how GSA arrives at their costs today.

I can recall being over at GSA a few years ago seeking their consideration for an increase in the mileage allowances. While over there, I, of course, challenged their statements.

You see, they based their position on 8 cents and 9 cents at that time, which is just 2 or 3 years ago. They wouldn't go above 8 cents or 9 cents. My understanding of their position was that, well, they claimed to be able to operate their Government car fleet for 6.2 cents a mile.

If the car was employed at the rate of 2,500 miles per quarter or more——

Senator HUDDLESTON. I think you ought to identify the time when they were making that estimate.

Mr. CONNERY. That would be in 1970, that they claimed to be able to operate the fleet for 6.2 cents a mile if the car was being driven 10,000 miles a year or more.

Actually, and based on that, they were claiming they couldn't afford to authorize reimbursement for privately owned automobiles at more than 8 cents or 9 cents because they could operate a GSA car for 6.

We discussed how the 6.6 figure was arrived at. I didn't see their books and they didn't offer to show them.

From the discussion, it was quite apparent to me or quite questionable in my mind as to the method of bookkeeping. As everyone knows, based on the approach that the accountant or bookkeeper takes, you can come up with all kinds of figures.

For example, as I understood the previous witness here he is talking about a figure of the Department of Transportation, figures that were bouncing up and down slightly and he said that they had charged the depreciation rate from 7 percent down to 5 percent.

As I understand depreciation, and I think I do understand depreciation, a 5-percent rate of depreciation would simply be a 20-year life any way you slice it.

If they are going on a 20-year life of a car, this is probably why they claim to be able to operate it for 6 cents a mile.

Another thing, I asked them at that time. I said, of course, I can't go into all of these things with you orally, but how can you claim to be operating a car fleet when you concede that you don't have in the costs the salaries of the people that are necessary for that fleet operation.

They just gave that a wave. Another thing, they were using—that goes to the fairness of their thinking. They were claiming to have this self-righteous approach of 6.2 cents per mile based on the fact that

they were buying cars for $1,499.99. That is because under the law they couldn't pay more than $1,500 for an automobile.

What they were getting out of Detroit were these underpowered, stripped-down models that were dangerous to operate. At one point in time, going back to 1961 or 1962, when Studebaker couldn't sell Larks, that is what they were selling to GSA.

Senator HUDDLESTON. Do you see any logic in varying the rate based on the kind of car that the employee uses?

Mr. CONNERY. He quoted from Mr. Runzheimer.

Mr. Runzheimer, who is located in Wisconsin, is nationally known. Runzheimer reports are subscribed to and followed by all the leading corporations in the United States and have been for many years.

I invited Dr. Runzheimer to accompany me to the Internal Revenue Service in 1970. My proposal to the Revenue Service was that they pay Dr. Runzheimer to do a study of their mileage practices and their reimbursement practices, and based on his recommendations to consider adjusting their reimbursement policies.

Dr. Runzheimer advised Mr. Preston, the Assistant Commissioner for Administration of IRS at that time, that he could do such a study for approximately $10,000 and that was refused by IRS. He also advised Mr. Preston at that time, and in my presence, that there were essentially five general approaches to car reimbursement and that the Government was using the fourth least desirable.

Senator HUDDLESTON. From what standpoint?

Mr. CONNERY. From his experience and studies and his reputation as a national consultant in these matters, as I say, he told Mr. Preston that there were five approaches to this question of reimbursing people for travel expense.

Of the five, the fourth least desirable was the one that the Government was using.

Senator HUDDLESTON. Back to the original question, do you think there is any occasion in having a different rate for an employee who drives a Volkswagen and one who drives a full-sized car? This 15.9 figure is based on a standard-sized automobile, as I understand it.

Many people drive cars that may get twice as much mileage to the gallon.

Mr. CONNERY. I would agree on the equity of the matter. It would seem to me to be obvious that someone shouldn't get as much for driving a Volkswagen as driving a standard sedan. It might be difficult to administer as my colleague observed. I can tell you another thing, that we operate group insurance plans and the group insurance claims on accidents that come into us show that it is very dangerous to be driving Volkswagens.

Senator HUDDLESTON. I don't want to get into the question of which cars ought to be driven. I am more concerned about the cost of operation.

Mr. CONNERY. The reason I mentioned this is I was almost killed one time in one of those Government cars because I am used to driving a larger car myself, an 8-cylinder. Driving a 6-cylinder car that I was not used to and coming up a ramp on one of these high-speed interstate highways, I was almost run over by a truck.

Senator HUDDLESTON. Would you say most of your members prefer to drive their own car, then, rather than a Government car?

Mr. CONNERY. Yes. Most of them do. There are some who don't, but most of them do.

Mr. TURNER. Back on the Runzheimer report, you recall the gentleman from GSA showed us the book and indicated that he had looked at it and taken the medium figure from the book as well as his own study and came up with the $30 per diem.

You testified that when you were dealing with the Runzheimer report your agency took the fourth lowest or something. Can you give us any insight into the Runzheimer report with respect to an appropriate per diem, and whether you think that $30 is the medium of the Runzheimer report?

Mr. CONNERY. I believe there is some misunderstanding, sir, because the Runzheimer reports apply only to car use; their reports; their studies; their counseling goes only to car use and fleet operation.

They do not go into other aspects of travel such as per diem and so forth, to my knowledge. The previous witness was talking about Runzheimer or quoting him or referring to him; he was doing that in connection with the car mileage, I believe, and various aspects of it.

I don't think that he was or didn't understand him to be quoting from Runzheimer on, for instance, hotel rates, because I don't believe to my knowledge, Runzheimer goes into that.

Mr. TURNER. On what basis do you think the increase or corresponding decease for that matter should be made? You already testified that GAO should undertake a continuous study and others have suggested that this increase might be tied to cost of living indicator. What do you think about that?

Mr. CONNERY. I think that there are better ways to go about it. The cost-of-living indicators may or may not be accurate reflections of the cost of operating a car. As a matter of fact, our most recent experience in this country would indicate that they are not.

I think that it is very simple these days to find out what the cost of operating a car is. For example, the Runzheimer group have been nationally known in this field for many years. They have this down to a science.

They can find out these things if they really want to. It has been our experience that the GSA has been totally dominated by the Office of Management and Budget and when Mr. Ash or his predecessors said what they were going to put into the budget GSA just fell immediately in line. There was no consideration given to the equities of the matter.

Mr. TURNER. Thank you.

Senator HUDDLESTON. What is your feeling on the frequency of any future adjustments on a regular basis? The bill calls for quarterly.

Mr. CONNERY. I certainly feel that there could be some justification for a semiannual adjustment. I wouldn't stay we are wedded to every 3 months. I think that I would be somewhat leery, this day and age, of waiting for an entire year to pass. I think a 6-month period would be reasonable.

Senator HUDDLESTON. That is all of the questions we have.

Thank you very much.

We will next hear from Clyde M. Webber, national president of the American Federation of Government Employees.

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STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES; ACCOMPANIED BY CARL K. SADLER, LEGISLATIVE REPRESENTATIVE

Mr. WEBBER. I am Clyde Webber, president of the American Federation of Government Employees. Accompanying me is Carl K. Sadler, our director of legislation.

On behalf of the American Federation of Government Employees representing over 650,000 Federal employees in exclusive recognition units, I wish to express appreciation to the subcommittee and its distinguished chairman, Senator Metcalf, for scheduling hearings on the subject of per diem and mileage expenses of Federal employees.

The obvious reason for these hearings is the inadequacy of rates of Federal per diem and travel allowances in the light of rampant inflation. Because of this, the work of the Federal Government is handicapped by the increasing reluctance of many Federal employees to undertake official travel requiring their personal presence outside their official stations of duty.

As you know, one of the burdens in the conduct of official business is the frequent requirement to attend meetings away from one's home installation. For many, attendance at these meetings is onerous in any case, even if the costs of hotels, meals, and mileage are properly reimbursed.

In most instances today the per diem and travel allowances do not cover expenses to Federal employees. For a long time now they have sought to meet this problem by paying the extra costs from their own salaries.

The continuing inflation of prices, both in the United States and abroad, has aggravated an already difficult situation. Furthermore, the depreciation and fluctuation of the American dollar on world markets has placed another financial strain on American officials traveling abroad on the Government's business.

We believe it is unwise fiscal policy for the Federal Government to create a situation where Federal officials and employees shun the expeditious discharge of those duties requiring travel solely because they are penalized by inadequate per diem and mileage allowances.

For this reason, we welcome the introduction of S. 3341 and the holding of this hearing by your subcommittee.

We should like to observe, however, that in the 2-month interval since the introduction on April 10, 1974, of S. 3341, the inflation rate has already indicated that the increases proposed in this bill are not likely to be adequate.

For this reason, we believe that for travel inside the continental United States, the normal maximum per diem allowance should be set at $40 rather than the $35 stipulated in S. 3341.

Similarly, for exceptional situations, such as those for which provision is made in section 5702(c), we recommend that the rate be $60 instead of the $50 provided in S. 3341.

Further, we urge that the supplemental authorization for maximum per diem allowance for each day of travel outside the continental United States be set at $35 instead of the present $18.

If your subcommittee were to accept our proposals, we would hope that you would provide conforming modifications in other sections of

your bill, especially those relating to United States Code, title V, sections 5702(e), 5703(c), and 5703(d).

PROVISION OF AUTOMATIC ESCALATOR

The present difficult situation in the matter of per diem has arisen from the circumstance that the current statute makes no provision for an automatic escalator in per diem maximum rates.

We believe it would be most useful if such an automatic escalator could be provided. We suggest that this might be obtained by adding a new subparagraph as section 5703(e) which could read as follows:

> The per diem rates established in subsections (c) and (d) of this section shall be automatically adjusted upward by increments of $1 whenever the Civil Service Commission, pursuant to section 8340 of this title, orders the cost-of-living adjustment of annuities.

We believe the simplest way of achieving this escalator is to tie it to the cost-of-living adjustments for Federal annuitants based on Bureau of Labor Statistics data, and to set it at the rate of $1 increments.

As you know, the cost-of-living adjustments for annuities now requires an increase in the Bureau of Labor Statistics data of at least 3 percent maintained at that level for at least 3 additional months.

To overcome the timelag created by the 3-month waiting period, the formula then provides an additional 1 percent on top of the highest rate established in the 3-month base period.

Consequently, the Federal annuities are always adjusted a minimum of 4 percent. However, the $1 increment we are proposing is slightly less than 3 percent of $40 (or almost exactly 3 percent of the $35 proposed in S. 3341) and would remain only fractionally below 3 percent for the next several automatic escalator adjustments.

Consequently, we believe that our escalator proposal is fiscally conservative and also would remain practical for many years.

MILEAGE AND RATE ALLOWANCES

The increased cost in gasoline, diesel fuel, and in automobile repairs and in automobile maintenance costs have been phenomenal as a result both of the energy crisis and efforts to control exhaust pollution.

The Federal rate of mileage allowances are now totally unrealistic. For this reason, we should like to propose that instead of 8 cents a mile for the use of privately owned motorcycles, the Congress authorize 12 cents; and instead of 12 cents for the use of privately owned automobiles or airplanes, we ask Congress to authorize 20 cents.

AUTOMATIC ESCALATOR FOR MILEAGE ALLOWANCES

We look with favor upon section 5704(b) in S. 3341 (beginning at line 10 of page 3 of the April 10, 1974, print of that bill) which provides for an escalator procedure to increase mileage allowances based upon a quarterly survey by the Comptroller General of the United States.

We welcome this provision for the adjustment of mileage and related allowances precisely because it would establish an automatic mechanism permitting proper changes in allowances without the need for frequent review by Congress.

We see in this provision the reflection of the same kind of philosophy which we were proposing for the automatic escalator in per diem allowances timed to take place concurrently with the cost-of-living adjustments in Federal annuities.

SUMMARY AND CONCLUSION

In summary, we enthusiastically welcome the decision of the subcommittee to hold hearings on allowance increases for per diem and mileage expenses of Federal employees.

We recommend, in light of rampant inflation, the installation of a maximum of $40 in the continental United States with an exceptional allowance of $60 in certain situations. Taking into account the depreciation of the dollar in world markets, we recommend an overseas supplemental of $35 in place of the present $18.

We earnestly and sincerely urge the provision of a per diem escalator of $1 (approximately 3 percent of the base rate), tied to the cost-of-living escalator provision of Federal annuities.

Finally, we recommend higher mileage allowances and endorse completely the provision of an automatic escalator based on quarterly surveys by the Comptroller General of the United States.

Mr. Chairman, we are most grateful to you for inviting us to testify on this hearing, and we assure you of our fullest cooperation in seeking to bring about this essential legislative reform in allowance for per diem and mileage expenses of Federal employees.

Senator HUDDLESTON. Thank you, Mr. Webber.

On your permanent escalator arrangement for per diem, the language you recited to be added to the bill mentions only adjusting upward.

Does that prohibit a downward adjustment if that should be the proper reflection of the cost-of-living index?

Mr. WEBBER. The way it really is is that this is a maximum we are proposing, and that the maximum be adjusted. The reason that we are having problems now is that the maximum has not been adjusted through the years.

In many travel regulations, they have a provision that people receive a certain portion of the per diem allowance for necessities other than their hotel room. Agencies, I believe, now are paying $12, and people are being reimbursed on the $12 rate for those necessities, plus their hotel expense up to a maximum of $25.

So what it means is that if you are in a hotel room where the total expense of the hotel room is in excess of $12 a day, that you simply have to pay the balance of that hotel expense out of your own pocket because the agency can reimburse you no more than $25.

On the other hand, if you happen to be in a location where the hotel rate is $10 a day you currently get reimbursed only the $22. So what I am saying is that, and I believe that the GSA man who was here before us went into some detail on the two elements of per diem and indicated they planned to continue in the future to take the hotel element as a base and add the other increment to it and then you have the maximum that you have to stay within.

So if this is the current practice in most agencies at this time, I would suggest that the maximum is there which would be helpful where you get into the type of situations where there are just no rooms at rates that you can afford to pay within the current maximum allowance.

Coming to your question, you could diminish the rate if the cost of living went down particularly if hotel room rates went down. I have traveled since 1950 and I have never seen them go any way but up yet.

Senator HUDDLESTON. The point I wanted to make, though, is that the bill itself and your provision where you tie the rate to either a survey of the actual cost of operating the car or the cost-of-living index or whatever. It is flexible enough to be decreased if the situation merits a decrease. So that flexibility is built into the measure which you are proposing.

Your figures, of course, are somewhat higher than those that have been suggested by the bill itself or by the two previous witnesses. What justification do you have for those increased figures?

Mr. WEBBER. Again, the increased figures would be maximum which would take into account some of the other things which have been discussed in terms of high cost areas.

Certainly I do not envision the rate setting agency, whether it happened to be GSA or whether it happened to be the General Accounting Office authorizing the payment of auto expenses at the maximum figure permitted under the legislation unless the costs of operating vehicles reach that maximum which they have long since done under the current legislation.

The same situation exists in the per diem area, that it is long since past when the maximum per diem rates take care of the normal expenses of traveling. If you have a cushion at the top that we are talking about here, it would provide the necessary flexibility which has been discussed here to take into account the high cost of living areas.

Senator HUDDLESTON. Do you have any concern about the administrating agency, GSA or GAO or some other?

Mr. WEBBER. Certainly I prefer to see it in the legislative branch. Our experience is precisely the experiences of Mr. Connery and we have had three pay increases proposed during the last 3 years under legislation established by Congress and two times Congress had to get them straightened out and one time the courts.

So it causes you have a lack of confidence that the administration is going to have concern for equity. They have concern for budget constraints instead.

Mr. TURNER. First I want to clarify something. They are referring to this $35 amount that is in the bill and you have recommended $40. That is really a minimum per diem allowance, isn't it, not a maximum?

Mr. WEBBER. I would hope it would be minimum. But I would think in everything I know about the administration of per diem, including the way it is done now and what I heard proposed this morning, would indicate that this $35 would be the maximum authorized under the bill.

Mr. TURNER. Your recommendation is that it be $40, not $30?

Mr. WEBBER. That is right, the maximum.

Mr. TURNER. Yet the only real study we seem to have to support what this figure should be is the GSA study and the Runzheimer report.

I still believe that he was talking about per diem in the Runzheimer report. He may not have been. That figure is given to us by the GSA as $30.

I am just wondering if you can give us any guidance as to why you feel the $30, based on their study, is not adequate and why you think the $40 which you are recommending is indeed adequate.

Mr. WEBBER. I believe I can furnish you—I know I can furnish you additional data, statistical data. I thought it was well understood by people who travel, who have traveled for a living, most of us do as to what the current hotel bills are.

Mr. Connery attached to his testimony, I believe, a set of rates which are here in Washington. If you are traveling to Atlanta, Dallas, Chicago, San Francisco or Los Angeles, it is virtually impossible to get a room under $20 a day in a medium-class hotel.

At a $25 per diem rate, which exists in the Government today and a $12 allowance for meals out of that $25, you wind up with $13 to pay your hotel bill.

The procedures which are used for the administration of per diem are tying the meals to the hotel. If people stay, are required to stay in moderate-priced hotels, reasonable hotels, decent hotels and they furnish to the employer where they work a copy of the hotel bill to justify the per diem rate, that is the way the amounts are determined at the present time.

This $30 may be an average across the country. Certainly, I take it it would not be in the metropolitan areas. There have been discussions about special rates for metropolitan areas.

Their meal increment plus the hotel seems to be the way that most per diem situations are being administered in the Government today.

Mr. TURNER. But my concern, I think, is what has been referred to as the maximum amount, the $50, and you suggest $60. The reason that I was concerned is because I noticed in the GSA testimony that only 3 percent of the Federal Government travel is in this maximum area.

Mr. WEBBER. Certainly that is the stratospheric travel of the administrators and the very top officials who are invited to locations where they have to justify this. This kind of travel we are talking about is the $30 travel. These are the ones which are of concern to us.

When we submit recommendations we try to take into account, we don't want to make a proposal to increase it for part of the people without an equal adjustment to the others. The amount that we are sincerely concerned with is getting this $25, current per diem rate for people who travel under regular Government travel authorization to a maximum of $40.

Certainly you note in our testimony that we have used the word "maximum" in each instance. I believe the bill uses the word "maximum." I think the GSA people were talking in terms of maximum rather than a uniform per diem rate at the rate specified in the bill.

Mr. TURNER. But they were talking about a $30 a day per diem. That was their recommendation. Then they said that we can take into

consideration these higher cost areas. I am wondering, sir, if you would like to comment on that in respect to the ability to actually determine all of these higher cost areas which would be different from the regular maximum.

Is that something that really can be done or are we talking about a lot of higher cost areas that would be almost difficult, impossible maybe to determine?

Mr. WEBBER. I would think you would have more difficulty in administering a higher cost area. The only way I could see that the higher cost area thing would work is if you designated them. You made the adjustment on the basis of the cost of meals and have part of the daily per diem to be adjustable, maybe a dollar or two, and then take the actual hotel bills because the Government does not pay money in excess of what the people spend.

The way it is now, people are paying out of their pocket for official travel, $2, $3, $4, $5 or $10 a day, depending upon the kind of accommodations they are able to obtain; many times staying in the kind of hotels that they prefer not to stay in, in order to try to get within the amounts of money which have been allocated for travel.

As long as they are using hotel bills and meal allowances, the determination for the actual rate being paid, I would think that there is a sufficiently high maximum, that this would accommodate to the high-cost hotel areas and the low-cost hotel areas because it is only reimbursement on the basis of actual expenses.

Mr. TURNER. The gentleman who preceded you indicated some concern as to cost-of-living escalator.

Would you say that the escalator suggestion would be more applicable to the per diem rate, than, perhaps it would be to the mileage rate?

Mr. WEBBER. Correct. What we have done, we have endorsed the principle of having a special review of the mileage reimbursement as provided in the bill and in addition to that an escalator on the maximum per diem based on the adjustment to the annuitants, annuity payments which would come maybe annually or every 2, 3 or 4 years in terms of a dollar each adjustment.

Senator HUDDLESTON. Thank you, Mr. Webber.

Mr. John McCart, operations director of the Government Employes Council, AFL–CIO.

STATEMENT OF JOHN McCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYES COUNCIL, AFL–CIO

Mr. McCART. Mr. Chairman, in view of the testimony you have received up to this point, I see no need for me to proceed to read our statement. I would just like to offer a couple of footnotes which may help the subcommittee with its deliberation.

We are a consortium of 30 AFL–CIO unions that represent in excess of 1 million postal, wage rate, and classified workers in the Federal service.

We deeply appreciate the chairman's introduction of the bill and your comments in this hearing.

It seems quite apparent that there is general agreement about the necessity for revising the present maximum figures for per diem and

mileage. In our view, the basic questions are how much and how to deal with these questions in the future.

This is something that is difficult to resolve, in the context of a hearing. So our formal statement addresses myself to those points specifically.

It points up some rather interesting developments that have occurred since the per diem and the mileage rates were last increased.

We have included data from reputable firms that deal in the accounting field of hotel and motel operations. They show rates in large cities ranging from $26 a day down to $21 a day, for example.

Perhaps more important to the discussion about what is to be done in the future is some information coming from the Bureau of Labor Statistics.

I mention this in relation to the use of cost-of-living data in determining future per diem and mileage rates.

The Bureau of Labor Statistics indices contain information on gasoline and oil, for example and also restaurant meals. The gasoline and oil figure as of March 1974 showed 157.4 with 1967 as a base.

So we have 57.4 points to begin with. It also showed that in the 3 months ending February 1974, there was an 86.2 point increase in the cost of gasoline and oil.

It is very easy to become entangled in a mass of figures. The GSA study, which apparently was based on figures of last fall, showed a 14.5 cent figure is justified for mileage.

Our information from the Federal Energy Office is that they authorized price increases for regular gasoline from January through April totaling 7.1 cents a gallon.

In that light, it seems to us that 18 cents which GSA is willing to accept for mileage is inadequate.

Mr. Chairman, we subscribe to the idea of a mechanism that will avoid the necessity of having to involve Congress in this kind of a problem repeatedly, although we feel very strongly that Congress should maintain a very careful oversight of what happens in the future.

For this reason, we subscribe to the idea of a cost of living approach. Perhaps BLS figures are not totally applicable mileage, but they do indicate that the information is useful. No doubt BLS would be responsive to modify its study to make it more useful to the Federal Government in establishing per diem and mileage rates.

That concludes our testimony, Mr. Chairman. We again want to express our appreciation for the interest of the subcommittee and to strongly commend the chairman's desire to move this legislation expeditiously.

Thank you.

Senator HUDDLESTON. Thank you, sir.

Do you have any concern about whether the legislative branch or executive branch is charged with the responsibility of this continuing adjustment?

Mr. MCCART. I have been involved in this kind of work, Mr. Chairman, for a good number of years. I have a very healthy skepticism about the activities of the executive branch with respect to employees.

This is in the nature of my business. On the other hand, if this re-

sponsibility continues in the legislative branch, the same time-consuming procedures in effect for the last 15 years will continue. I refer to the necessity for Congress to take specific action each time there needs to be an adjustment under present law.

For that reason, this activity could be carried on by the executive branch with appropriate constraints in the law and with the continuing oversight by the appropriate committees of the House and the Senate.

Senator HUDDLESTON. Is the frequency of quarterly adjustments appropriate, do you think?

Mr. McCART. I don't believe there is a need for quarterly adjustments, Mr. Chairman. Having said that the problem can be resolved with the executive branch under certain conditions, I sincerely trust that in the development of regulations and studies on adjustments in mileage and per diem rates in the future it is accomplished in cooperation with interested unions.

This has been part of the problem we have had with the Office of Management and Budget and more recently with the General Services Administration. Unions now have collective bargaining arrangements in the Federal service; there are thousands of contracts.

They have an equity in regulations and studies. We surely hope that the views of the employees are going to be sought so as to avoid the kind of attitude we have had to express here about our suspicion of the executive branch operation in the past.

I don't say that in any sarcastic or critical sense, but it is important that in the future if the executive branch is going to be given this responsibility that the employees and the unions be consulted in arriving at decisions.

Senator HUDDLESTON. Thank you very much. We appreciate your testimony. Your prepared statement will be incorporated in the record as if read.

[The prepared statement of Mr. McCart follows:]

PREPARED STATEMENT OF JOHN MCCART, OPERATIONS DIRECTOR, THE GOVERNMENT EMPLOYES COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee: The council and its 30 affiliated AFL-CIO unions join in urging early action on legislation increasing the per diem and mileage allowances currently available to Federal employees who are required to travel on official business. The unions associated with our organization represent more than 1 million classified, wage grade, and postal employees.

We are deeply grateful to the chairman of the subcommittee for introducing S. 3341 and arranging this hearing.

The maximum per diem allowance for normal official travel was fixed at $25 by Congress in late 1969. There was no adjustment at that time in the reimbursement for use of employees' automobile for authorized work. That rate was established in August 1961, at 12 cents a mile.

During the intervening years, the cost of hotel accommodations, restaurant meals, and automobile maintenance has risen sharply. Inflation has caused these items to escalate inexorably and steeply. The result is that Federal employees are unable to maintain themselves in

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a reasonable fashion on the present $25 maximum daily allowance or to operate their vehicles efficiently. Consequently, they are experiencing financial loss because the allowances have not kept pace with ever increasing costs. For these reasons, it is highly desirable that Congress provide legislative relief.

Our research demonstrates very clearly that if these employees do not secure relief, they will continue to suffer financially in many cases, and will be required to personally defray a larger portion of these legitimate work expenses with the passage of time.

One of the recognized accounting firms, which deals with hotel operations, is Laventhol, Krekstein, Horwath, & Horwath. Their report for 1973—the latest available—discloses that room rates in motels increased by 19 percent between 1970 and 1973. The average daily rate for rooms in hotels was $19.70.

Using data compiled by that firm and another reputable company in the same field, Harris, Kerr, Forster & Co., we find these average room rates in representative cities: *Atlanta, $21.13; Boston, $21.48; Chicago, $25.77; Los Angeles, $22.04; New Orleans, $26.34; New York City, $24.25; San Francisco, $22.64; and Washington, D.C., $24.87.

The current per diem allowance covers other items in addition to lodging and meals. It includes tips, telegrams, telephone calls, laundry and dry cleaning, certain transportation costs.

Bureau of Labor Statistics maintains information on meals away from home, gasoline and motor oil, laundry, and dry cleaning costs as part of its Consumer Price Index functions. The base year—100—is 1967. These are the increases registered by BLS in March 1974, for the elements noted above: Food away from home, 153.7; gasoline and oil, 157.4; laundry, 137.7; and dry cleaning, 130.7.

From this information, it becomes obvious that a substantial adjustment in per diem allowance is justified. We recommend that the maximum figure be fixed at $40.

It is interesting to note that in the three month period ending February 1974, the cost of gasoline and oil jumped 86.2 percent, seasonally adjusted on an annual basis, according to the Bureau of Labor Statistics review.

Our inquiry to the Federal Energy Office elicited the fact that service stations were authorized to increase the price of regular gasoline by 7.1 cents per gallon from January to April 1974.

In January of this year the General Services Administration completed a study of the cost of operating privately owned automobiles. Based on the Consumer Price Index for December 1973, GSA found that the expense of maintaining a standard size automobile was 14.5 cents a mile. Recalling the increase in gasoline prices—7 cents between January and April 1974—and the sharp upward trend of automobile maintenance costs, a maximum allowance of 20 cents per mile is completely realistic.

In an attempt to cope with the precipitous rise in the cost of operating private automobiles and other vehicles for official business, S. 3341 proposes a quarterly study by the General Accounting Office of the expense involved by Federal employees in using these means of transportation. Following submission of the Comptroller General's quar-

*Source: American Hotel and Motel Association.

terly report to the President, mileage allowances would be adjusted to conform to GAO findings.

We believe this provision represents a sincere effort to introduce a mechanism, which will enable Federal workers who are required to use their vehicles for official business to keep abreast of the climbing prices of automobile operation. This is true particularly in a period of serious uncertainty about the availability of petroleum products in the future and the fluctuations in prices which occur inevitably on the basis of supply and demand. However, it involves an extra mechanism that could prove somewhat cumbersome.

As you know, the Department of Labor's Bureau of Labor Statistics has specialized for many years in the accumulation of cost data and development of indices reflecting changes in various parts of the economy. The figures cited above indicate that BLS currently collects data on restaurant meals and automobile costs to construct its Consumer Price Index.

Ample precedent exists for using the Index to evaluate changes in payments to individuals under statutes affecting Federal workers. In 1965, Congress approved legislation relating increases in annuities for retired Federal employes and their survivors to changes in the Index. The following year, legislation was enacted using the same yardstick in adjusting benefits for those on the permanent rolls under the Federal Employees' Compensation Act, which covers employees incurring job-related injuries and diseases.

Therefore, the council recommends that in the future the statutory per diem allowance be increased by $1 each time the Consumer Price Index causes a cost of living adjustment in annuities of retired Federal workers and those on the compensation rolls.

Mr. Chairman, the Government Employes Council believes that Congress intends to see that Federal employees who find it necessary to engage in official travel will not be required to bear any share of justified expenses. We recommend strongly that the subcommittee proceed promptly to report favorably a bill which will correct the deficiencies in the present situation.

Senator HUDDLESTON. Mr. Wolkomir?

STATEMENT OF IRVING I. GELLER, GENERAL COUNSEL FOR THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. GELLER. Mr. Wolkomir could not be here. My name is Irving I. Geller. I am general counsel for the National Federation of Federal Employees. The NFFE is the largest independent labor organization in the Federal sector.

We represent approximately 120,000 Federal employees both in this country and abroad. I appreciate the opportunity of appearing here today to testify on S. 3341.

S. 3341 would increase current per diem fees from $25 to $35 per day, and for the first time establish a procedure whereby the mileage fees paid to employees who must use their own automobile for official business is adjusted on a periodic basis.

Section 5704 directs the Comptroller General to conduct a continuous study on the actual cost experienced by an employee when he uses his own vehicle for governmental purposes.

The results of this study are compiled on a quarterly basis and sent to the President or his designee who must then adjust the mileage fees paid to Federal employees.

Mr. Chairman, we think this procedure is a step in the right direction. However, we suggest that section 5704 be amended to include the per diem allowance paid to Federal employees. Specifically, we propose that the Comptroller General also be directed to conduct a study on the actual cost an employee experiences for living expenses while in a travel status for the Government.

We would think, however, that it would be unnecessary to adjust this allowance more frequently than once per year.

Mr. Chairman, we applaud the good aims of this bill. However, we think that the committee should recognize that employees of the Federal Government are largely organized. There are now pending several pieces of major legislation which would establish labor relations in the Federal Government on a statutory basis.

These bills all vary in scope. However, all greatly expand the scope of bargaining. Employees want and deserve a voice in the matters that affect them.

We propose, therefore, that in conjunction with pending bills such as H.R. 10700, that S. 3341 be further amended to provide a mechanism whereby the unions are accorded the opportunity of submitting data to the Comptroller General and holding discussions on a regular basis and prior to the submission of the study to the President, on the data that should be included in the report.

The procedure we suggest could be modeled after the prevailing wage committee which has proved workable. Our suggestions will ensure that all relevant data is available and at the same time give employees a voice in matters that are of direct concern to them.

We do not imply that the Comptroller General would do less than a credible job. We believe, however, that every agency or organization can benefit from outside ideas and information. In effect, what we are saying is we ought to institutionalize the process that is going on today wherein you have the substantial difference in view and opinion and facts and conclusions.

Our proposal would accomplish exactly that; an infusion of different views and ideas on what data is important and how that data should be interpreted.

Mr. Chairman, there has been some consideration given to amending this bill to substitute the Department of Transportation for the Comptroller General.

We would oppose any such amendment. The Comptroller General is more experienced and independent than the Department of Transportation and less subject to the vagaries of politics.

Moreover, we are not dealing with a transportation problem per se, rather it is a matter of cost accounting. That is, what is the actual cost per mile to an employee who is engaged in official business, for the use of his own vehicle.

This type of accounting can best be performed by the Comptroller General.

Mr. Chairman, this concludes our statement. I would be happy to respond to any questions that the committee may have.

Senator HUDDLESTON. I might ask you if your members have any concern about the question of whether there might be a variance in mileage allowances based on the type of car they may use?

Mr. GELLER. We think that the creation of a fluctuating amount would be rather complicated and we would not approve of that kind of arrangement. We think there ought to be a set fee. There is no really solid justification for that difference.

I would, if I may, Mr. Chairman, digressing a bit, speak to a point that hasn't been discussed today and that our concern is largely with those groups that spend considerable time of their life, their Federal service, in a travel status.

I am thinking especially of people like tobacco graders, which the chairman, I am sure, is familiar with. Those people have special problems. The ordinary amenities, such as having to have their clothes cleaned, their laundry cleaned; these are not reimbursable items.

There are other intangibles such as the requirement—not the requirement but certainly the awareness—that family people are obliged to call their homes to let their family know where they are. These are not reimbursable expenditures.

So that our concern is really more with those people who spend a substantial portion of their time in a travel status rather than those who are obliged to attend a meeting or a conference.

That is where the problem really lies. We are also concerned that there be a greater opportunity for uniformity of payment amongst the agencies.

One of the previous speakers spoke about the advantages of the rate in the Department of Agriculture over the Internal Revenue Service.

The important thing is that there be a uniform rate established for all agencies. I think this is a consideration which the committee ought to concern itself with.

There was the question raised about the dispute that may frequently arise concerning the use of the private vehicle and how to meet that problem. We would urge that the legislation expressly include a provision wherein the travel order given to an employee should prohibit him if they want from using a private vehicle.

There should be an expressed statement so that there be nothing left for dispute or imagination. Of course, we urge that the employee have the right to operate his own vehicle.

Again, I relate back to the person who is in a frequent travel status. Parking a Government vehicle in front of a liquor store or elsewhere may not be the most desirable thing to do.

These people who travel extensively should not be inhibited by their freedom of action.

Senator HUDDLESTON. I believe that is all of our questions. Thank you very much.

Mr. TURNER. Mr. Chairman, we have for the record a letter from the National Customs Service Association to this subcommittee with respect to S. 3341.

Senator HUDDLESTON. Without objection, it will be added as a part of the record.

[The letter referred to follows:]

NATIONAL CUSTOMS SERVICE ASSOCIATION,
Washington, D.C., June 20, 1974.

Hon. LEE METCALF,
Chairman, Subcommittee on Budgeting, Management and Expenditures, Old Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: As President of the National Customs Service Association, a union representing custom employees throughout the United States, I request that the following statement be included in the record of the hearings relating to S. 3341, a bill relating to per diem and mileage expenses of employees of the United States Government.

The NCSA strongly urges adoption of S. 3341. For many years, customs employees who must often use their own vehicles on official assignments and who frequently are called away from home on temporary assignments have been captive donors of the government in the rendering of their employment service. For far too long, customs employees have been obliged to underwrite a considerable part of their job-related expenses because of the inadequacy of the present per diem and mileage rates.

NCSA feels that the per diem rate increase from $25 to $35 is fully justified, if only because of inflation's impact on the cost of food and lodging. This increase, as noted, is necessary to insure that employees are not in a position of being underwriters of their job-related expenses. We would suggest that a review program, similar to that contemplated for mileage expenses, be conducted frequently to insure that employees do not find themselves in a similar situation as the one which presently faces them.

NCSA strongly favors the mileage expense increase to 14.5 cents a mile for the use of privately owned automobile. If anything, the 14.5 cents figure may be too low, in light of the recent rise of the price of gasoline and oil products. We are confident, however, that the S. 3341's provision for review of the rates by the Controller General will reflect the rapid increases in automotive costs and prevent further inequity.

In summation, NCSA supports S. 3341 as it will serve to make whole employees who at present are required to underwrite a considerable portion of their job-related expenses out of their own pocket. I wish to thank the committee and its staff for taking the time to consider this statement.

Sincerely yours,

JOHN J. MURPHY, *President.*

Senator HUDDLESTON. I believe that completes our list of witnesses for today. The subcommittee will be in recess subject to the call of the Chair.

[Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene subject to the call of the Chair.]

APPENDIX I

[From the Congressional Record, Apr. 10, 1974]

INTRODUCTORY REMARKS BY SENATOR METCALF REGARDING S. 3341

Mr. METCALF. Mr. President, I send to the desk for appropriate reference a bill to amend title V of the United States Code to provide for an equitable method of computing vehicle mileage costs to be reimbursed to U.S. Government employees for the use of their private automobiles while on official duties. The bill would also raise the per diem allowance from $25 to $35.

Pursuant to regulations issued in May 1973, the mileage allowance for a privately owned vehicle used on official business was set at 11 cents per mile. A General Services Administration report prepared in early 1974, entitled "Present Cost of Operating Privately Owned Automobiles," concluded that:

(1) the approximate cost of operating a standard size automobile is currently 14.4 cents per mile;

(2) the cost of operating a compact size automobile is approximately 75% of the cost of operating a standard size automobile;

(3) the maximum mileage allowance of 12 cents per mile is inadequate when a standard size automobile is used for official business.

This imbalance was called to my attention by the 60,000-member National Treasury Employees Union. The legislation I introduce today is designed to correct the inequality that currently exists for those individuals who must use their own cars for official business. I recognize that opponents may say that this increase would tend to increase the number of individuals who will seek to use their private cars for work, rather than use public transportation. However, the bill provides that no employee may use a private automobile unless he is specifically assigned to do so by an appropriate official.

The bill also would increase the per diem allowance from the current $25 to $35. The rationale for this needed amendment is quite clear. The allowance has been limited to $25 since 1969, when it was increased from $16 to $25. The cost-of-living increases since that 1969 amendment makes the necessity of this increase obvious.

(A copy of S. 3341 follows:)

93D CONGRESS
2D SESSION

S. 3341

IN THE SENATE OF THE UNITED STATES

APRIL 10, 1974

MR. METCALF introduced the following bill; which was read twice and referred to the Committee on Government Operations

A BILL

To revise certain provisions of title 5, United States Code, relating to per diem and mileage expenses of employees and other individuals traveling on official business, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 5702 (a) of title 5, United States Code, relating to the per diem allowance of employees traveling on official business within the continental United States, is amended by deleting "$25" and inserting in place thereof "$35".

(b) Section 5702 (c) (1) of title 5, United States Code, relating to reimbursement for actual and necessary travel expenses of employees under unusual circumstances in excess of the maximum per diem allowance, is amended by deleting "$40" and inserting in place thereof "$50".

(c) Section 5703 (c) (1) of title 5, United States Code, relating to the per diem allowance of individuals serving without pay or at $1 a year for travel inside the continental United States, is amended by deleting "$25" and inserting "$35" in place thereof.

(d) Section 5703 (d) (1) of title 5, United States Code, relating to reimbursement for actual and necessary travel expenses of individuals serving without pay or at $1 a year under unusual circumstances in excess of the maximum per diem allowance, is amended by deleting "$40" and inserting in place thereof "$50".

SEC. 2. (a) Section 5704 of title 5, United States Code, relating to mileage and related allowances of employees and other individuals performing services on official business inside or outside the designated post of duty or place of service, is amended to read as follows:

"§ 5704. Mileage and related allowances

"(a) Except to the extent otherwise provided under this section, and under regulations prescribed under section 5707 of this title, an employee or other individual perform-

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ing service for the Government, who is engaged on official business inside or outside his designated post of duty or place of service, is entitled to—

"(1) 9 cents a mile for the use of a privately owned motorcycle;

"(2) 14.5 cents a mile for the use of a privately owned automobile; or

"(3) 12 cents a mile for the use of a privately owned airplane.

"(b) The Comptroller General of the United States shall conduct a continuous study on the average, actual cost a mile, to an employee or other individual performing service for the Government who is engaged on official business inside or outside the designated post of duty or place of service, for the use of a privately owned motorcycle, automobile, or airplane. Not later than January 15, April 15, July 15, and October 15 of each year, the Comptroller General shall submit to the President or his designee the results of the study for the three-month period preceding the month in which the report is to be submitted, including specific figures, each rounded to the nearest one-tenth of a cent, of the average, actual cost a mile during that period for the use of a privately owned motorcycle, automobile, and airplane. The cent figures contained in paragraphs (1), (2), and (3) of subsection (a) of this section shall be adjusted, as of the

first day of the first month following the date of submission of the report, to the figures so reported by the Comptroller General, and those reported figures shall also be included as of such day in the regulations prescribed under section 5707 of this title.

"(c) An employee or individual described in subsection (a) of this section shall not use a privately owned motorcycle, automobile, or airplane under the circumstances described in subsection (a) of this section unless specifically authorized in writing to do so in the travel authorization. The written authorization for the use of a privately owned motorcycle, automobile, or airplane shall be made only in the interests of the efficient and effective conduct of official business of the Government and only if the use of public transportation by the employee or individual concerned would be a personal hardship or against the public interest.

"(d) In addition to the mileage allowance provided in accordance with the other provisions of this section, the employee or other individual performing service for the Government may be reimbursed for—

"(1) parking fees;

"(2) ferry fares; and

"(3) bridge, road, and tunnel tolls.".

(b) The amendment made by subsection (a) of this section shall become effective on July 1, 1974.

APPENDIX II

AGENCY COMMENTS

ADMINISTRATIVE OFFICE OF THE U.S. COURTS,
Washington, D.C., June 19, 1974.

Hon. GALE MCGEE,
Chairman, Committee on Post Office and Civil Service, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On June 6th hearings were held before your Committee on S. 3341, which is the bill to increase the per diem and travel allowances for official travel. On behalf of the Federal Judiciary I would like to express our view of the urgent need for this legislation. While we have made no independent study of what the travel allowances ought to be, we do know that travel reimbursement for judges, magistrates, clerks of court and other employees in the Judicial Branch of the Government is inadequate.

The provisions of the Travel Expense Act of 1949 apply generally to officers and employees in the Judiciary, including judges, 28 U.S.C. 456. An amendment to that Act will thus automatically apply to the officers and employees of the Judiciary. If, however, the Committee contemplates reporting separate legislation, we would request an opportunity to suggest to the Committee language that would make any contemplated increases in travel allowances applicable to the Judiciary.

Sincerely yours,

ROWLAND F. KIRKS, *Director.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., June 4, 1974.

Hon. SAM J. ERVIN, Jr.,
Chairman, Committee on Government Operations,
U.S. Senate.

DEAR MR. CHAIRMAN: We refer to your letter of April 17, 1974, wherein you request our views and recommendations on S. 3341, a bill to revise certain provisions of title 5, United States Code, relating to per diem and mileage reimbursement for employees and other individuals traveling on official business and for other purposes.

Section 1 of the bill would amend section 5702 of title 5, United States Code, by increasing the maximum per diem allowance for travel inside the continental United States from $25 to $35 and by increasing the maximum reimbursement for actual and necessary expenses of employees traveling in the continental United States from $40 to $50. Section 1 of the bill would also amend subsections 5703(c) and (d) of title 5, United States Code, which cover reimbursement of individuals serving without pay or at $1 a year for travel on official business, by providing increases for such individuals similar to those provided for employees covered by 5 U.S.C. 5702.

Section 2 of the bill would amend section 5704 of title 5, United States Code, by increasing the maximum mileage allowances for the use of privately owned vehicles on official business, effective July 1, 1974. That amendment would provide that under regulations prescribed under 5 U.S.C. 5707, employees and other individuals performing service for the Government would be entitled to 9 cents a mile for use of a privately owned motorcycle, 14.5 cents a mile for the use of a privately owned automobile, and 12 cents a mile for use of a privately owned airplane. The current provision authorizes maximum mileage rates of 8 cents for use of privately owned motorcycles and 12 cents for use of privately owned automobiles or airplanes.

The amended section 5704 would also require the Comptroller General to conduct a continuous study on the average actual cost a mile to an employee or other individual engaged on official business for the use of a privately owned motorcycle, automobile, or airplane. No later than January 15, April 15, July 15, and October 15 of each year, the Comptroller General would be required to submit to the President or his designee a report of the results of the study for the pre-

ceding 3 months including specific figures, rounded to the nearest one-tenth of a cent, of the average, actual cost a mile during that period for the use of a privately owned motorcycle, automobile, and airplane. As of the first day of the first month following the submission of each report, the amended section would require the mileage rates contained in paragraphs (1), (2), and (3) of subsection (a) of 5 U.S.C. 5704, as amended by this bill, to be adjusted to the figures reported by the Comptroller General and require those mileage rates to also be included as of that day in the regulations prescribed nuder 5 U.S.C. 5707.

Section 2 of the bill woud further amend 5 U.S.C. 5704 to provide that an employee or individual shall not use a privately owned motorcycle, automobile, or airplane for official business unless specifically authorized in writing to do so in the travel authorization. Such written authorization would be made only in the interest of the efficient and effective conduct of official business of the Government and only if the use of public transportation by the employee or individual concerned would be a personal hardship or against the public interest.

Regarding section 1 of the bill, our information concerning subsistence costs at our regional office sites and other locations regularly visited by our employees on Government business indicates that the costs of lodging, meals and other subsistence expenses have increased to the point where the currently prescribed per diem maximum often does not cover subsistence expenses incurred by prudent employees travelling on Government business.

The General Services Administration (GSA) study of subsistence, in which we participated through the furnishing of subsistence cost information, has revealed that a per diem in excess of the current $25 maximum for travel in the continental United States is justified. GSA is able to furnish the Committee more specific information with regard to the actual costs incurred by Government employees while traveling on official business.

As pointed out above, the experience of our employees in traveling on official business clearly demonstrates the need to increase the maximum per diem rate if Government employees traveling on official business are not to be required to suffer a personal financial loss. In view of the fact the controlling regulation precribes a sliding per diem rate based upon the traveler's lodging costs the proposed maximum per diem rate of $35 appears reasonable. Accordingly, we strongly recommend enactment of legislation to alleviate the present undesirable situation.

While section 1 of the bill would temporarily relieve the problem, it is our opinion that permanent legislation is necessary to provide a more viable system. Accordingly, we recommend that consideration be given to amending the existing travel expenses legislation to provide a continuing procedure for adjusting the maximum rates of per diem as well as mileage rates authorized for the expense of official travel.

Section 2 of the bill does contain a procedure for continuing adjustment of mileage rates and we endorse the principle of periodically adjusting such rates without the necessity of legislation. However, we have serious reservation concerning the role the legislation contemplates that the GAO would play. We do not believe that it would be appropriate for the Comptroller General to have the responsibility for making mileage surveys and determining mileage rates. In our opinion the resources of the GAO can best be utilized in the performance of more significant functions than that of compiling mileage statistics and reporting such statistics to the President or his designee. Moreover, the compiling of mileage statistics upon the basis of which the authorized mileage rates would be determined is primarily an executive function and the great majority of the employees who would be affected thereby are those employed in the executive branch. We strongly recommend, therefore, that this function be vested in the President for delegation as he deems appropriate and that the GAO have no more than an oversight responsibility in this area. Should the Congress so desire the implementation of new mileage rates could be conditioned upon a legislative veto procedure such as that provided in the salary increase provisions of 5 U.S.C. 5305, although we doubt that this procedure would be essential in view of the limited impact of increased mileage payments on Government expenditures as compared with the impact of salary increases.

Further, we note that S. 3341 would substantially change the current procedures for paying mileage by fixing specific mileage rates rather than prescribing maximum limitations on the rates that may be paid and by authorizing payment of such rates only when travel by privately owned vehicle is authorized in writing and justified on the basis of efficient and effective conduct of official

business and on the basis that use of public transportation would be a personal hardship to the employee or against public interest. Although we recognize the concern for the conservation of energy which apparently motivates this approach the restrictive provision may result in depriving employees of reimbursement for the use of their vehicles in the interest of the Government.

We will be pleased to work with the Committee and the Committee staff in the development of legislative language which would authorize the Executive branch to adjust both per diem and mileage rates when warranted by changing economic conditions in order that employees and others traveling on Government business will be adequately reimbursed the costs resulting from such travel.

As a technical matter it is noted that S. 3341 would not increase the maximum per diem and subsistence reimbursement amount specified in 2 U.S.C. 68b for travel by Members and employees of the Senate.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

STATEMENT OF THE DEPARTMENT OF DEFENSE

The Department of Defense appreciates this opportunity to submit its views to the Subcommittee in connection with S. 3341, 93d Congress. This bill will increase the maximum per diem and mileage allowances of employees traveling on official business.

A study was conducted by the Department of Defense Per Diem, Travel and Transportation Allowance Committee some time ago. This study revealed that the current maximum per diem rate of $25.00 is no longer adequate to defray the average expenditure for food, lodging, and allowable miscellaneous expenses by employees while on official travel at many locations. There was evidence that the $35.00 maximum proposed by this bill would be inadequate in some cases, particularly for the large metropolitan areas such as Washington, D.C., New York, New York, Boston, Massachusetts, San Francisco, California, etc., where a night's lodging may exceed the proposed $35.00 maximum. The Department of Defense also recently participated in an extensive study of the adequacy of current travel allowances for Federal employees which was conducted by the General Services Administration. This study confirmed our earlier findings regarding the inadequacy of the per diem rates.

The recent substantial increase in the cost of fuel coupled with the greatly reduced miles per gallon ratio have also rendered the current maximum mileage allowances totally inadequate and it is clear that some adjustment is in order.

The General Services Administration is the agency responsible for the administration of per diem as well as other travel and transportation entitlements for U.S. Government civilians of all Executive Departments and Agencies. As a result of their recent study, they have submitted draft legislation to the Congress which proposes to address these problems in a realistic and flexible manner. We support this proposal and defer to them for specific comment on the merits of the GSA proposal.

The current per diem rates have been inadequate for many locations for quite some time. The same is true for the mileage allowances. Many employees of the Federal Government who are required to travel in connection with the performance of their official duties have suffered considerable out-of-pocket expenses over the past several years. The Department of Defense strongly urges the expeditious enactment of appropriate legislation which will relieve this inequity.

APPENDIX III

PRESENT COST OF OPERATING PRIVATELY OWNED AUTOMOBILES

BY GENERAL SERVICE ADMINISTRATION, FEDERAL SUPPLY SERVICE, PASSENGER AND TRANSPORTATION SYSTEMS

I. *Objective.*—Calculate the current cost of operating privately owned automobiles in order to determine the adequacy of the present mileage allowance.

II. *Background.*—Under 5 U.S.C. 5704(a)(2), an employee is entitled to a mileage allowance of not more than 12 cents per mile when he uses a privately owned vehicle while on official business. The Office of Management and Budget, in the Standardized Government Travel Regulations (OMB Circular A–7, Revised) prescribed a rate of 11 cents per mile when the use of a privately owned vehicle is advantageous to the Government.

Pursuant to Executive Order 11609, dated July 22, 1971, the General Services Administration published the Federal Travel Regulations (41 CFR 101–7) in May 1973. Since assuming the responsibility for administering the travel regulations, GSA has received several inquiries questioning the adequacy of the present mileage allowances. In response, this study was conducted to determine the cost of operating a privately owned automobile. The study techniques and results are discussed below:

Two earlier studies of the cost of operating privately owned vehicles were compiled by GSA, based on the U.S. Department of Transportation (DOT) Report "Cost of Operating an Automobile," published in April 1972. In April 1974 DOT published an updated version of their earlier study and since the information presented in this new report is more current (costs shown are for February 1974) we felt a corresponding obligation to update our study in order to more accurately reflect the cost of operating a privately owned automobile for official travel.

III. *Discussion.*—It is a fact that the costs, both fixed and variable, are lower for compact cars than for standard size automobiles. It is the intent of this study, therefore, to present the per mile costs for both standard and compact size automobiles.

(*a*) *Standard Size Automobiles.*—The automobile operating costs for 1974 were taken from the U.S. Department of Transportation (DOT) report "Cost of Operating an Automobile" (Annex 1), which was published in April 1974. The costs used in this study were those for a standard size 4-door sedan equipped with: V–8 engine, automatic transmission, power steering and brakes, air conditioning, tinted glass, radio, clock, whitewall tires and body protective molding. It is felt that this car and equipment is representative of standard size 4-door sedans during model year 1974.

Although the DOT study computed the costs of operating a vehicle over a period of 10 years (100,000 miles), we have assumed, for the purpose of this study, that a privately owned vehicle is not likely to be used for business purposes beyond the fifth year. Consequently, the costs presented in this study are the average annual costs for the first five years of operation as shown in Annex 1.

In computing the April 1974 costs shown in Annex 2, the changes in the Consumer Price Index (CPI) from February 1974 to April 1974 for each cost component (tires, gasoline, etc.) were first converted to percentages. These percentages were then applied to the individual cost components presented in the DOT study in order to convert the February 1974 cost per mile to a cost per mile for April 1974. This method of computation was applied to each cost element except depreciation. The methodology used in developing depreciation costs will be explained below.

It should be emphasized that the DOT study was conducted in suburban Baltimore, and, therefore, reflects the prices, taxes, and road and driving conditions of suburban Baltimore. City driving would be more costly while driving costs in rural Maryland should be lower. In addition to the urban and rural cost differences, there are also geographic variations in the cost of living. For example, the residents of Baltimore experience a cost level which is different from that in Chicago, Los Angeles or Atlanta. The March 1974 CPI indicates that the cost of operating an automobile in Baltimore was at an index level of 130.1. However, since the average U.S. city index level of 130.4 is only 0.2% higher than the Baltimore level, it appears that the cost of operating an automobile in Baltimore is representative of the national urban area average costs.

In order to develop and project the over-all cost of operating a standard size automobile, the following individual cost elements were evaluated:

1. *Depreciation.*—The cost per mile for depreciation is influenced primarily by the purchase price (and price changes) and the number of miles the automobile is driven each year. The February 1974 costs were based on a standard size, 1974, 4-door sedan as described above (finance charges were not included). It was assumed by DOT that this car would be driven a decreasing number of miles from 14,500 in the first to 9,900 in the fifth year. In this respect, it should be noted

that extensive use of a private automobile for official travel could easily increase the annual mileage, which would, in turn, lower the cost per mile for all costs, including depreciation.

In estimating the depreciation costs for the period February to April 1974, it was determined that the application of CPI changes (for new automobiles) to DOT depreciation costs would not provide acceptable cost data. The CPI, insofar as new automobiles are concerned, is adjusted to eliminate the effect of price increases attributed to "quality improvements" such as hydraulic safety bumpers, power brakes and steering, structural improvements, etc. Since in many instances, these quality improvements become standard equipment or are required by law, a consumer must bear the additional cost of these items.

Consequently, while the CPI is adjusted downward to compensate for these improvements, the consumer actually pays more and more each year for his automobile. It was felt that a more accurate estimate of future depreciation costs could be obtained by applying the average CPI change for all goods and services (5.08%) to the February 1974 depreciation cost per mile. Although the use of the general index introduces some distortions, it is considered to be a better representation of automobile price trends than an index which has been quality adjusted.

2. *Maintenance and Repair.*—This cost element includes routine maintenance, such as lubrications and flushing the cooling system; replacement of minor parts, such as spark plugs, fan belts, and radiator hoses, minor repairs, such as brake jobs, water pump, carburetor overhaul, and universal joints; and some major repairs. Repairs for collision damage were excluded, but the purchase of minor accessories such as floor mats and miscellaneous items totaling $2.20 per year was assumed. The CPI for these goods and services includes few, if any, quality adjustments.

3. *Tires.*—Because the cost of the original five tires is included in the vehicle depreciation cost, this cost category includes only replacement tires. It was assumed that seven new regular tires and four new snow tires would be purchased during the 10 year, 100,000 mile life of the automobile. Radial tires were not introduced into this study, and although a car fitted with such tires would require fewer tire changes, the higher cost of radial tires would at least partly offset the effects of greater tire mileage.

4. *Gasoline.*—Although gasoline costs represented only 21.7% of the total automobile operation cost per mile in 1971, it has become perhaps the most controversial of all the costs due, primarily, to recent shortages and attendant rising prices. It was determined in the DOT study that a standard car would average 12.92 miles per gallon of gasoline. Obviously, several factors, including the driving environment, engine size, speed, and pollution devices, influence the mileage which in turn influences the gasoline cost per mile. A price of 52.1 cents per gallon, including taxes, was used by DOT.

5. *Motor Oil.*—In the DOT study, oil consumption was associated with gasoline consumption at a rate of one gallon of oil for every 159 gallons of gasoline. A price of $1.00 per quart was used in the DOT study.

6. *Insurance.*—Insurance coverage, as applied to this study, includes $50,000 combined public liability ($15,000/$30,000 bodily injury, and $5,000 property damage), $2,500 personal injury protection, uninsured motorist coverage, and full comprehensive coverage. Deductible collision was assumed for the first five years ($100).

7. *Taxes.*—It is difficult to estimate the behavior of taxes from an analysis of the CPI because the prices of all commodities and services include taxes. As a result, taxes have been held constant at the February 1974 level of 1.03 cents per mile, assuming that any increase or decrease would be reflected in the CPI statistics for the other cost elements.

8. *Registration.*—Included in this item is a $30.00 annual registration fee and a one time titling fee of $170.04 cents.

The overall effect of the price changes for the cost elements described above was an increase in the total cost of operating a privately owned automobile. In February 1974 the U.S. Department of Transportation determined that the cost

of operating a standard size automobile (less garage, parking, and toll costs) was 13.99 cents per mile. Based on the April 1974 CPI, the cost of operating a private automobile is currently estimated at 14.4 cents per mile (Annex 2).

(*b*) *Compact Size Automobiles.*—These automobile operating costs were also taken from the DOT study "Cost of Operating an Automobile," April 1974 and are found in Annex 3. The vehicle selected to represent this category is a 1974 model 2-door sedan equipped with: 6 cylinder engine, automatic transmission, power steering, radio, vinyl top, wheel covers and protective molding. With two exceptions, the cost elements and assumptions applied to the standard size vehicle were also used in determining the cost of operating a compact car. These exceptions were that a gasoline consumption rate of 15.97 miles per gallon and an oil consumption rate of one gallon of oil for every 150 gallons of gasoline were applied to the compact car.

The average cost per mile for the first five years of operation was 10.36 cents, which is approximately 74% of the cost of operating a standard size car.

Because of the stubstantial economies which secure through the use of smaller automobiles, it is felt that a separate and lower rate of reimbursement should be paid to an employee who utilizes a compact or subcompact size vehicle while on official business. In this respect, a rate equal to 75% of the "standard rate" (rounded to the next highest cent) appears reasonable and compensatory.

IV. *Conclusions.*—Several important conclusions can be drawn from the above discussion.

(*a*) The approximate cost of operating a standard size automobile is currently 14.4 cents per mile.

(*b*) The cost of operating a compact size automobile is approximately 75% of the cost of operating a standard size automobile.

(*c*) The maximum mileage allowance of 12 cents per mile, provided under 5 U.S.C. 5704(a)(2) is inadequate when a standard size automobile is used for official business.

V. *Recommendations.*—

(*a*) Legislation should be sought to increase the maximum mileage allowances for use of privately owned automobiles on official business.

(*b*) The Federal Travel Regulations should be amended to provide for separate rates of reimbursement for compact (including subcompact) and standard size automobiles, if the stautory maximum mileage rate is increased.

ANNEX 1

ANNUAL AUTOMOBILE OPERATION COSTS

[Standard size 1974 model]

Costs (1)	1st yr. (2)	2d yr. (3)	3d yr. (4)	4th yr. (5)	5th yr. (6)	Total (7)	Cost per mile[1] (cents) (8)
Depreciation	$1,046.00	$647.00	$550.00	$404.03	$294.00	$2,941.00	4.99
Maintenance/repair	126.49	161.40	336.67	445.47	329.86	1,399.89	2.38
Tires	18.68	16.71	28.99	42.09	42.80	149.27	.25
Gasoline	438.70	393.35	347.99	302.63	299.51	1,782.18	[2] 3.03
Motor oil	20.00	19.00	20.00	19.00	21.00	99.00	.17
Insurance	205.00	192.00	192.00	177.00	177.00	943.00	1.60
Taxes	147.61	132.37	118.26	104.17	103.24	605.65	1.03
Registration	200.04	30.00	30.00	30.00	30.00	320.04	.54
Total cost	2,202.52	1,591.83	1,623.91	1,524.36	1,297.41	8,240.03	13.99
Miles per year	14,500	13,000	11,500	10,000	9,900	58,900	

[1] Col. 7 divided by 58,900 miles.
[2] Gasoline represents 21.7 percent of the total cost.

Source: Cost table annex 1 p. 2.

TABLE 1.—ESTIMATED COST OF OPERATING A STANOARO SIZE 1974 MODEL AUTOMOBILE[1]

[Total costs in dollars, costs per mile in cents]

Item	1st yr (14,500 mi)		2d yr (13,000 mi)		3d yr (11,570 mi)		4th yr (10,000 mi)		5th yr (9,900 mi)	
	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile
Costs excluding taxes:										
Depreciation	1,046.00	7.21	647.00	4.98	550.00	4.78	404.00	4.04	294.00	2.97
Repairs and maintenance	122.96	.85	158.01	1.21	333.42	2.90	442.36	4.42	326.76	3.30
Replacement tires	18.63	.13	16.71	.13	28.98	.25	42.09	.42	42.80	.43
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	438.70	3.03	393.35	3.02	347.99	3.03	302.63	3.03	299.51	3.03
Oil	20.00	.14	19.00	.15	20.00	.17	19.00	.19	21.00	.21
Insurance	205.00	1.41	192.00	1.48	192.00	1.67	177.00	1.77	177.00	1.79
Garaging, parking, tolls, etc	224.80	1.55	215.20	1.65	205.60	1.79	196.00	1.96	195.36	1.97
Total	2,079.62	14.34	1,644.66	12.65	1,681.24	14.62	1,586.19	15.86	1,359.53	13.73
Taxes end fees:										
State:										
Gasoline	100.98	.70	90.54	.70	80.10	.70	69.66	.70	68.94	.70
Registration	30.00	.22	30.00	.23	30.00	.26	30.00	.30	30.00	.30
Titling	170.04	1.17	—	—	—	—	—	—	—	—
Subtotal	301.02	2.08	120.54	.93	110.10	.96	99.66	1.00	98.94	1.00
Federal:										
Gasoline	44.88	.31	40.24	.31	35.60	.31	30.96	.31	30.64	.31
Oil[2]	.30	—	.29	—	.30	—	.28	—	.32	—
Tires	1.45	.01	1.30	.01	2.26	.02	3.27	.03	3.34	.04
Subtotal	46.63	.32	81.83	.32	38.16	.33	34.51	.34	34.30	.35
Total taxes	347.65	2.40	162.37	1.25	148.26	1.29	134.17	1.34	133.24	1.35
Total of all costs	2,427.27	16.74	1,807.03	13.90	1,829.50	15.91	1,720.36	17.20	1,492.77	15.08

	6th yr (9,900 mi)		7th yr (9,500 mi)		8th yr (8,500 mi)		9th yr (7,500 mi)		10th yr (5,700 mi)		Totals and averages for 10 yrs (100,000 mi)	
	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile
Costs excluding taxes:												
Depreciation	264.00	2.67	252.00	2.65	250.00	2.94	248.00	3.31	246.00	4.31	4,201.00	4.20
Repairs and maintenance	379.81	3.84	570.45	6.00	224.05	2.63	346.92	4.62	35.20	.62	2,939.94	2.94
Replacement tires	53.39	.54	53.71	.57	51.61	.61	43.47	.58	34.60	.61	385.99	.38
Accessories	9.43	.09	9.14	.10	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	299.51	3.03	287.39	3.03	257.28	3.03	227.17	3.03	172.43	3.02	3,025.96	3.03
Oil	22.00	.22	23.00	.24	19.00	.22	20.00	.27	12.00	.21	195.00	.19
Insurance	135.00	1.36	135.00	1.42	135.00	1.59	135.00	1.80	135.00	2.37	1,618.00	1.62
Garaging, parking, tolls, etc	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,358.50	13.72	1,523.49	16.04	1,131.76	13.31	1,208.23	16.11	810.07	14.21	14,383.29	14.38
Taxes and fees:												
State:												
Gasoline	68.94	.70	66.15	.70	59.22	.70	52.29	.70	39.69	.70	696.51	.70
Registration	30.00	.30	30.00	.31	30.00	.35	30.00	.40	30.00	.52	300.00	.30
Titling	—	—	—	—	—	—	—	—	—	—	170.04	.17
Subtotal	98.94	1.00	96.15	1.01	89.22	1.05	82.29	1.10	69.69	1.22	1,166.55	1.17
Federal:												
Gasoline	30.64	.31	29.40	.31	26.32	.31	23.24	.31	17.64	.31	309.56	.31
Oil [2]	.33	—	.34	—	.29	—	.30	—	.18	—	2.93	—
Tires	4.15	.05	4.17	.05	4.01	.05	3.38	.05	2.70	.05	30.03	.03
Subtotal	35.12	.36	33.91	.36	30.62	.36	26.92	.36	20.52	.36	342.52	.34
Total taxes	134.06	1.36	130.06	1.37	119.84	1.41	109.21	1.46	90.21	1.58	1,509.07	1.51
Total of all costs	1,492.56	15.08	1,653.55	17.41	1,251.60	14.72	1,317.44	17.57	900.28	15.79	15,892.36	15.89

[1] This estimate covers the total costs of a fully equipped, medium priced, standard size, 4-door sedan, purchased for $4,251, operated 100,000 mi. over a 10-yr. period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.

[2] Where costs per mile are less than 1/20 cent, a dash (——) appears in the column.

ANNUAL AUTOMOBILE OPERATING COSTS (COMPACT SIZE 1974 MODEL)

(1)	1st year (2)	2d year (3)	3d year (4)	4th year (5)	5th year (6)	Total (7)	Cost per mile [1] (8)
Depreciation	$400.00	$372.00	$329.00	$300.00	$286.00	$1,687.00	2.86
Maintenance/repair	112.01	189.77	240.44	313.14	322.88	1,178.24	2.00
Tires	15.42	13.83	20.88	34.83	38.65	123.61	.21
Gasoline	355.03	318.27	281.52	244.77	242.42	1,442.01	2.45
Motor oil	17.00	16.00	17.00	16.00	17.00	83.00	.14
Insurance	190.00	180.00	180.00	166.00	166.00	882.00	1.50
Taxes	119.48	107.12	95.45	84.30	83.84	490.19	.83
Registration	136.40	20.00	20.00	20.00	20.00	216.40	.37
Total cost	1,345.34	1,216.99	1,184.29	1,179.04	1,176.79	6,102.45	10.36
Miles per year	14,500	13,000	11,500	10,000	9,900	58,900	

[1] Col. 7 divided by 58,900 miles.

Source: Cost table, annex 1, p. 49.

TABLE 2.—ESTIMATED COST OF OPERATING A COMPACT SIZE 1974 MODEL AUTOMOBILE [1]

[Total costs in dollars, costs per mile in cents]

Item	1st year (14,500 miles)		2d year (13,000 miles)		3d year (11,500 miles)		4th year (10,000 miles)		5th year (9,900 miles)	
	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile
Costs excluding taxes:										
Depreciation	400.00	2.76	372.00	2.86	329.00	2.86	300.00	3.00	286.00	2.89
Repairs and maintenance	108.48	.75	186.38	1.43	237.19	2.06	310.03	3.10	319.78	3.23
Replacement tires	15.42	.10	13.83	.11	20.88	.18	34.83	.35	38.65	.39
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	355.03	2.45	318.27	2.45	281.52	2.45	244.77	2.45	242.42	2.45
Oil	17.00	.12	16.00	1.2	17.00	.15	16.00	.16	17.00	.17
Insurance	190.00	1.31	180.00	1.38	180.00	1.56	166.00	1.66	166.00	1.68
Garaging, parking, tolls, etc	224.80	1.55	215.20	1.66	205.60	1.79	196.00	1.96	195.36	1.97
Total	1,314.26	9.05	1,305.07	10.04	1,274.44	11.08	1,270.74	12.71	1,268.31	12.81
Taxes and fees:										
State:										
Gasoline	81.72	.57	73.26	.57	64.80	.56	56.34	.56	55.80	.57
Registration	20.00	.14	20.00	.15	20.00	.18	20.00	.20	20.00	.20
Titling	116.40	.80	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Subtotal	218.12	1.51	93.26	.72	84.80	.74	76.34	.76	75.80	.77
Federal:										
Gasoline	36.32	.25	32.56	.25	28.80	.25	25.04	.25	24.80	25
Oil [2]	.26	(2)	.24	(2)	.25	(2)	.24	(2)	.26	(2)
Tires	1.18	.01	1.06	.01	1.60	.02	2.68	.03	2.98	.03
Subtotal	37.76	.26	33.86	.26	30.65	.27	27.96	.28	28.04	.28
Total taxes	255.88	1.77	127.12	.98	115.45	1.01	104.30	1.04	103.84	1.05
Total of all costs	1,570.14	10.83	1,432.19	11.02	1,389.89	12.09	1,375.04	13.75	1,372.15	13.86

Footnotes at end of table.

TABLE 2.—ESTIMATED COST OF OPERATING A COMPACT SIZE 1974 MODEL AUTOMOBILE [1]—Continued

Item	6th year (9,900 miles)		7th year (9,500 miles)		8th year (8,500 miles)		9th year (7,500 miles)		10th year (5,700 miles)		Totals and averages for 10 years (100,000 miles)	
	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile	Total cost	Cost per mile
Costs excluding taxes:												
Depreciation	278.00	2.81	269.00	2.83	228.00	2.68	212.00	2.83	186.00	3.26	2,860.00	2.86
Repairs and maintenance	325.78	3.29	499.65	5.26	234.80	2.76	102.83	1.37	40.61	.71	2,365.53	2.36
Replacement tires	41.01	.42	49.43	.52	45.09	.53	41.39	.55	30.24	.53	330.77	.33
Accessories	9.43	.10	9.14	.09	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	242.42	2.45	232.65	2.45	208.01	2.45	183.77	2.45	139.59	2.45	2,448.45	2.45
Oil	19.00	.19	20.00	.21	16.00	.19	17.00	.23	12.00	.21	167.00	.17
Insurance	130.00	1.31	130.00	1.37	130.00	1.53	130.00	1.73	130.00	2.28	1,532.00	1.53
Garaging, parking, tolls, etc	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,241.00	12.54	1,042.67	14.76	1,056.72	12.43	874.66	11.66	713.28	12.51	11,721.15	11.72
Taxes and fees:												
State:												
Gasoline	55.80	.56	53.55	.57	47.88	.56	42.30	.56	32.13	.56	563.58	.56
Registration	20.00	.20	20.00	.21	20.00	.24	20.00	.27	20.00	.35	200.00	.20
Titling	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	116.40	.12
Subtotal	75.80	.76	73.55	.78	67.88	.80	62.30	.83	52.13	.91	879.98	.88
Federal:												
Gasoline	24.80	.25	20.80	.25	21.28	.25	18.80	.26	14.28	.26	250.48	.25
Oil [2]	.29	(2)	.30	(2)	.24	(2)	.25	(2)	.18	(2)	2.51	(2)
Tires	3.14	.04	3.80	.04	3.46	.04	3.18	.04	2.33	.04	25.41	.03
Subtotal	28.23	.29	27.90	.29	24.98	.29	22.23	.30	16.79	.30	278.40	.28
Total taxes	104.03	1.05	101.45	1.07	92.86	1.09	84.53	1.13	68.92	1.21	1,158.38	1.16
Total of all costs	1,345.03	13.59	1,504.12	15.83	1,149.58	13.52	959.19	12.79	782.20	13.72	12,879.53	12.88

[1] This estimate covers the total costs of a medium priced, compact size, 2-door sedan, purchased for $2,910, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices considered to be in the middle range, were used.

[2] Costs per mile are less than 1/20 cent.

Source: Office of Highway Planning, Highway Statistics Division.

ANNEX 2

AUTOMOBILE OPERATING COST (STANDARD SIZE 1972 MODEL)

Item	Cents per mile February 1974	Percent change in CPI February-April 1974 [1]	Cents per mile April 1974
Vehicle depreciation	4.99	1.767	5.08
Maintenance/repair	2.38	1.948	2.43
Tires	.25	3.071	.26
Gasoline	3.03	9.202	3.31
Motor oil	.17	3.779	.18
Insurance	1.60	.654	1.61
Taxes	1.03	(2)	1.03
Registration	.54	0	.54
Total	13.99		14.44

[1] Source: Annex 3.
[2] Effect of changing taxes are reflected in the CPI levels for each of the other cost elements.

ANNEX 3

CONSUMER PRICE INDEX

Item	February 1974 [1]	April 1974 [1]	Percent change
Vehicle depreciation [2]	141.5	144.0	1.767
Maintenence/repair	148.9	151.8	1.948
Tires	110.7	114.1	3.071
Gasoline	147.8	161.4	9.202
Motor oil	137.6	142.8	3.779
Insurance	137.7	138.6	.654
Registration	128.9	128.9	0

[1] Data furnished by Information Officer, Bureau of Labor Statistics, Department of Labor.
[2] CPI for all goods and services was used as the index is "quality-adjusted" for automobiles.

Cost of Operating a Privately Owned Automobile (POV)

In the past, GSA prepared two studies which reflected the approximate cost of operating a POV as of May and December of 1973. The summary results of these studies are shown in attachment 1. The costs shown in these two studies were computed by applying changes in the Consumer Price Index (CPI) to basic cost data extracted from a DOT report entitled, "Cost of Operating an Automobile", published in April 1972.

In April 1974, the Department of Transportation updated their 1972 study utilizing prices in effect during February to April of 1974 and then restated the costs in the original 1972 study to April 1974 to determine how closely our study agreed with the new DOT cost report. We found that, by using the 1974 report as the base, the cost per mile is 14.44 cents while an update of the 1972 report shows the cost per mile at 15.36 or .9¢ higher than the cost computed from the more recent report. The following factors contribute to the difference in costs.

1. The April 1974 costs calculated from the 1972 DOT report (based on 1971 prices) were based on the behavior of the CPI (for all cities) over an extended period of time approximating 3 years. This alone could be expected to produce costs which differ from the results of a completely new base cost study.

2. The method by which DOT computed the depreciation costs would account for much of the difference between the two study results even in the absence of CPI investments over time. In the 1972 study, DOT established the purchase price of an automobile as the sticker price plus the added cost of the optional equipment. In the 1974 study, the purchase price of the car was considered to be the sticker price plus the optional equipment *less* the average discount allowed by the dealer. This change in methodology had the effect of lowering the depreciation cost which is the largest single component of the overall cost of operating a vehicle. The effect which this change in methodology had on depreciation costs can be seen in attachment 1.

Combined, these factors have contributed to the differences in overall costs as calculated from the two DOT studies. It is our feeling that the more recent DOT study should be used as the base and that the cost per mile computed from the 1974 study (14.4¢) is more indicative of the actual cost of operating a privately owned vehicle, than the costs computed from the 1972 study.

ATTACHMENT 1

AUTOMOBILE OPERATING COSTS

[In cents per mile]

Item	1971 [1]	May 1973 [2]	December 1973 [2]	April 1974 [2]	April 1974 [3]
Depreciation	6.01	6.45	6.84	7.13	5.08
Maintenance/repair	1.88	2.06	2.12	2.21	2.43
Tires	.27	.26	.26	.26	.26
Gasoline	1.98	2.15	2.46	2.99	3.31
Motor oil	.10	.11	.11	.12	.18
Insurance	1.33	1.30	1.29	1.30	1.61
Taxes	.83	.83	.83	.83	1.03
Registration	.50	.50	.50	.52	.54
Total	12.90	13.66	14.41	15.36	14.44

[1] Data extracted from U.S. Department of Transportation report "Cost of Operating an Automobile," April 1972, based essentially on 1971 prices.
[2] Data calculated by applying Consumer Price Index changes to costs in 1971 base year.
[3] Calculated by applying the Consumer Price Index change from February–April 1974 to data extracted from DOT report "Cost of Operating an Automobile," published in April 1974 based on February 1974 prices.

APPENDIX IV

Study of Operating Costs for Privately Owned Aircraft

By General Services Administration, Federal Supply Service, Passenger and Transportation Systems

I. *Objective.*—Calculate the cost of operating privately owned aircraft in order to determine the adequacy of the present mileage allowance.

II. *Background.*—Under 5 USC 5704 (a) (2), an employee is entitled to a mileage allowance of not more than 12 cents per mile when he uses a privately owned aircraft while on official business.

The Federal Travel Regulations (41 CFR 101–7), promulgated by the General Services Administration (GSA) pursuant to Executive Order 11609, dated July 22, 1971, prescribe that agencies will fix the mileage rate for use of privately owned aircraft within the statutory maximum of 12 cents.

The two largest users of this mode of transportation (U.S. Department of the Interior and the Department of Transportation) have stated that the present allowance is inadequate and consequently the employee must bear a large part of the financial burden when a privately owned aircraft is used on official business. The Department of the Interior has recommended that the mileage rate be increased to 20 or 22 cents per mile, and the Department of Transportation has suggested a rate up to 20 cents for a single engine aircraft (annex 4). Based on these recommendations, GSA conducted this study to determine the cost of operating a privately owned aircraft.

III. *Discussion.*—The costs presented in this study are based on a report, prepared by the Federal Aviation Administration (FAA) in February 1969, entitled "General Aviation Aircraft Operating Costs."

(*a*) *Selection of Representative Aircraft.*—The FAA study includes costs for several categories of General Aviation aircraft; however, the single-engine, piston aircraft was selected as most representative of the various types of privately owned aircraft. The FAA study supports this selection in stating that two thirds of the single-engine, piston. 1–3 place (seats) aircraft and over one half of the single-engine, piston 4-place and over aircraft are personally owned, while

most of the multi-engine piston and turbine aircraft are found in the business fleet.

Within the representative category, the costs shown for the 1–3 place aircraft are substantially less than those shown for the 4-place and over type of airplane (annex 1); however, the FAA included several cost items which are not regarded as reimbursable travel expenses—these were deleted for the purpose of this study. In addition, the speed of the 4-place and over aircraft (151 miles per hour) is considerably greater than that of the 1–3 place aircraft (100 miles per hour). As a result of the cost adjustments and the variance in operating speeds, the difference in the cost per mile for these two types of aircraft is less than two tenths of one cent. Since the adjusted costs are nearly identical, either the 1–3 place of the 4-place and over type of aircraft could be selected as representative without introducing serious distortions.

(*b*) *Evaluation of Data.*—The costs presented in the FAA report were estimated from information gathered from aircraft manufacturers, consulting firms and trade journals. While the FAA did not conduct tests or surveys for their study, some of the operating costs reported in the trade journals were based on actual flight tests. The use of estimate costs is unavoidable because of the loose and informal structure of the General Aviation fleet, which precludes the collection of reliable, empirical operating cost statistics. Most of the single-engine, piston aircraft are privately owned, and few owners maintain specific cost or operating records. A representative of the Aircraft Owners and Pilots Association (AOPA), an organization of the owners of General Aviation aircraft, confirmed this lack of data when he related that the AOPA has not prepared a General Aviation cost study, due primarily to the absence of a sound data collection and reporting system. In summary, the use of estimated costs was dictated by the lack of reliable actual cost information.

The costs reflected in this report do not apply to specific makes and models of aircraft, but instead are "typical" of an aircraft in a particular group. For example, the costs shown in annex 1 for single-engine, piston, 1–3 place aircraft are typical for that category of aircraft, but would not be typical for a specific kind of airplane within that category, such as a Cessna 150. Significantly, the use of typical or representative costs is of great value for the purposes of this study, because Government employees, collectively, own various types of General Aviation aircraft.

(*c*) *Cost Elements.*—In developing the overall cost of operating a privately owned aircraft, all of the cost elements discussed below, and shown in annex 1, were evaluated, and only those which were regarded as reimbursable were retained in the adjusted cost table (annex 2).

1. *Fuel and Oil.*—Fuel costs are based on three factors: the number of gallons of fuel consumed in one hour, the average price per gallon of aviation gasoline (44 cents), and the yearly average number of hours of aircraft utilization. It was also assumed that the oil consumption varied with fuel consumption.

2. *Inspections.*—The FAA requires that all General Aviation aircraft undergo one annual inspection. In addition, any aircraft carrying passengers for hire, or used for flight instruction must be inspected at the end of each 100 hours of operation. Since many single-engine, piston aircraft are used for fight training and some even as air taxis, they are subject to more frequent inspections and higher annual inspection charges. Because both commercially used and privately owned aircraft are included in the single-engine, piston category, the inspection costs shown in annexes 1 and 2 are somewhat higher than they would otherwise be if only the costs for privately owned aircraft were shown.

3. *Maintenance.*—This element includes the cost of labor and parts for maintenance for the airframe, engine, accessories, propeller, electrical equipment, instruments and air conditioning. However, the cost of recovering the airframe, which is required every several years, was not included.

4. *Reserve For Overhaul.*—This item is related in nature to maintenance, but is much more extensive. This category includes required overhaul or replacement of such parts as the engine, electrical equipment, instruments, the propeller and even the airframe.

5. *Parking and Landing Fees Away From Home Base.*—Although these costs were included in the FAA study (annex 1), they were excluded as adjusted cost items in annex 2 of this study. These kinds of expenses are separately allowed when a privately owned automobile is used, and accordingly, it is felt that parking and landing fees, as well as tiedown costs incurred while away

from the home station should also be allowed in addition to the mileage rate paid for the use of a privately owned aircraft. The FAA estimates that the cost of these services ranges from $29 a year for a 1–3 place aircraft to $88 for a 4-place and over aircraft. However, the cost to the Government for these services should be less than these amounts, as the traveler would be reimbursed only to the extent that these services are required for official travel.

6. *Spare Parts.*—The cost of spare parts, which an owner may wish to carry aboard his aircraft has not been included in the adjusted cost table. This expense, as reported by the FAA, varies in proportion with the size of an aircraft, and is negligible for single-engine, piston aircraft. In fact, no expense was reported for 1–3 place aircraft, and only $16.00 per year was experienced for the 4-place and over aircraft. It was assumed from this, that the cost of spare parts for single-engine, piston aircraft was incurred for planes used primarily for commercial or agricultural purposes.

7. *Pilot Expenses.*—This element, which includes per diem expenses for crew members is not applicable for the purposes of this study, because employees, using their privately owned aircraft for official travel, act as their own pilots and are allowed per diem expenses under the Federal Travel Regulations. Accordingly, this item is not included in the adjusted cost table.

8. *Depreciation.*—Depreciation was computed by dividing the cost study, the purchase price used for depreciation was the price in effect during the year in which the median number of aircraft of a particular model were manufactered.

The depreciation trend for aircraft is similar to that for automobiles, in that the greatest amount of depreciation (the largest drop in resale value) occurs within the first few years of ownership. This is significant because while the depreciation costs in the FAA study are based essentially on the purchase price of a new aircraft, a representative of the AOPA has indicated that many new aircraft are purchased first by business firms, and after four or five years are converted to private ownership. As a result, the depreciation costs presented in this study may be somewhat overstated when relating to privately owned aircraft.

There are three factors which help to minimize any possible overstatement of depreciation costs. First, this study addresses only single-engine, piston aircraft—the majority of which are initially purchased for personal use. Second, the purchase price of single-engine, piston aircraft (except the Beech V35A Bonanza) does not include the cost of avionics equipment. Yet employees, who purchase aircraft equipped with such devices, will obviously experience higher depreciation costs. Third, an average aircraft life span of twenty years was assumed, and while this was consistent with aircraft blue book prices, the FAA presented various examples which imply that the life span for some aircraft may be greater than twenty years. In this respect, a representative of AOPA reflected that twenty years appeared to be reasonable, but added that no one really knows the technological life of an aircraft which has been properly maintained and protected from the elements. Individually, these factors are of minor importance, but together, they may offset the possible elevated depreciation costs resulting from the FAA's use of new aircraft purchase prices.

9. *Insurance.*—A typical aircraft owner would carry four basic types of insurance. These are *Hull Insurance*, which covers damage to the aircraft (4 percent of the blue book value for single-engine, piston aircraft) ; *Admitted Liability*, which is the amount paid to passengers without court action (premiums are $230 for 1–3 place aircraft and $340 for 4-place and over aircraft) ; *Legal Liability* against damage to persons or property ($200 for single-engine, piston aircraft) and *Medical Insurance*, which provides coverage for passengers and crew premiums are $11 per passenger and $13 for crew member).

10. *Aircraft Storage.*—This element consists of the commercial hangarage or tiedown cost *at the home base*, and is not an expense directly generated by the conduct of Government business. Accordingly, these costs were deleted from our study as nonreimbursable and do not appear in the adjusted cost table (annex 2).

11. *Crew Salary and Benefits.*—For the purpose of this study it was assumed that when the owner of a privately owned aircraft uses his aircraft for official business, he will also pilot the aircraft. Based on this asumption, the expenses of crew salaries and fringe benefits are considered to be irrelevant, and were not included in the adjusted cost table (annex 2).

12. *Miscellaneous.*—Items in this category include the cost of manuals and charts, damage not covered by insurance and aircraft modernization. These ap-

pear to be expenses necessary for the safe operation of an aircraft and were included in annex 2 as allowable costs.

It should be mentioned that not all of the costs incident to the operation of an aircraft were included in this study. Many of these costs are clearly nonreimbursable, such as dues for membership in associations or subscriptions to trade journals. However, some of these costs—specifically State and local taxes—appear to be of an allowable nature. To the extent that these costs have been excluded, the total cost per mile for each type of aircraft (16.46 cents for a 1–3 place aircraft and 16.27 cents for a 4-place and over aircraft) as described in annex 2, may be slightly underestimated.

(d). *Estimate of Current Costs.*—The report on General Aviation Operating Costs, prepared by the FAA in February 1969 does not reflect subsequent changes in the price level. In order to calculate current costs, it was necessary to use an index for estimating the magnitude of price changes since 1969.

The Wholesale Price Index (WPI) could not be used because it is essentially a commodity index and excludes the values of services; yet many of the cost elements, which comprise the total cost per mile, are in the nature of services (i.e., inspections, maintenance and insurance). In addition, the WPI reflects prices at the wholesale level, and does not accurately measure the level of costs borne by the owners of small aircraft, who must make their purchases in the retail market.

On the other hand, the Consumer Price Index (CPI) measures the prices of both goods and services at the retail level, but does not provide any data regarding the specific component cost elements which make up the aggregate cost per mile for the operation of privately owned aircraft. Although the CPI does provide price information on specific automobile operating costs (depreciation, maintenance and repairs, gasoline, oil, insurance, etc.), price changes for these elements cannot be applied to aircraft operating costs, as the two items (aircraft and automobiles) are not analogous.

In the absence of specific price data, it was decided that the change reported in the CPI for "all items" would be applied to the total adjusted costs for 1969. Although this approach may not yield a high degree of precision, it should provide a general estimate of the change in the aggregate retail cost of operating a private aircraft. Significantly, during the period from 1969 to December 1973, the change in the CPI for all items closely approximated the change in fuel prices. In fact, while the CPI for all items rose 25.77% from 109.8 to 138.1, the CPI for regular and premium gasoline increased 25.98% from 104.7 to 131.9—a difference of only 0.21%. Although there is no CPI for aviation fuel, an official of the Bureau of Labor Statistics indicated that the index trend for regular and premium automotive gasoline could be used in estimating the trend in the price of fuel used for general aviation piston aircraft.

The cost per mile as of December 1973 has been computed by applying the CPI increase to the adjusted 1969 costs. As shown in annex 3, the current cost per mile for single-engine, piston aircraft (1–3 place and 4-place and over) is approximately 20.6 cents. As stated earlier in this study, the U.S. Department of the Interior and the Department of Transportation recommended aircraft mileage rates of 20 to 22 cents and 15 to 20 cents, respectively. The letters submitted by these agencies, which are included in annex 4, give support to our finding that the cost of operating a single-engine, piston aircraft is approximately 20.6 cents per mile.

IV. *Conclusions.*—Three major conclusions can be drawn from the above discussion.

(*a*) The approximate cost of operating a privately owned, single-engine, piston aircraft is presently 20.6 cents per mile.

(*b*) The maximum mileage allowance of 12 cents per mile, provided under 5 USC 5704(a)(2), is inadequate when a privately owned aircraft is used for official business.

(*c*) The cost of landing and parking, as well as tiedown service, have not been included in the mileage rate. At present, there is no authority for separately reimbursing employees for these costs when they use an aircraft for official business, although the same types of expenses may be separately allowed when a privately owned automobile is used for official travel.

V. *Recommendation.*—

(*a*) Legislation should be sought to increase the maximum statutory mileage rate for use of privately owned aircraft on official business.

(*b*) Action should be initiated to amend 5 USC 5704(b) to provide for separate reimbursement for landing, parking, and tiedown costs incurred when a privately owned aircraft is used on official business. Reimbursement should be in addition to the mileage allowance, as it is for privately owned automobiles.

ANNEX 1

TABLE 8.—OPERATING COSTS OF AVERAGE GENERAL AVIATION AIRCRAFT, BY AIRCRAFT TYPE

	Piston						Turbine			
	Single-engine									
	1 to 3 place		4 plece and over		2 engine		Turboprop		Jet	
Operating costs and data	Annual	Hourly	Annual	Hourly	Annual	Hourly	Annuel	Hourly	Annual	Hourly
Variable costs:										
Fuel	$450	$3.00	$930	$4.65	$3,234	$12.44	$ 19,908	$44.24	$52,700	$105.40
Oil	59	.39	88	.44	270	1.04	302	.67	650	1.30
Inspection	161	1.07	400	2.00	1,274	4.90	6,480	14.40	9,000	18.00
Maintenance	194	1.29	450	2.25	1,607	6.18	14,220	31.60	22,500	45.00
Reserve for overheul	315	2.10	864	4.32	2,179	8.38	14,832	32.96	23,300	46.60
Parking, fees, etc	29	.19	88	.44	273	1.05	1,017	2.26	1,875	3.75
Spare parts			16	.08	117	.45	9,626	21.39	25,550	51.10
Pilot expense			50	.25	536	2.06	2,800	6.22	3,635	7.27
Total, variable costs	1,208	8.04	2,884	14.43	9,490	36.50	69,185	153.74	139,210	278.42
Fixed costs:										
Depreciation	340	2.27	900	4.50	4,450	17.12	33,165	73.70	48,780	97.56
Insurance	870	5.80	988	4.94	3,260	12.54	16,264	36.14	22,280	44.56
Storage	235	1.57	486	2.43	1,560	6.00	3,650	8.11	7,722	15.44
Crew salary and benefits	(1)	(1)	1,200	6.00	7,410	28.50	28,320	62.93	31,820	63.64
Miscellaneous	80	.53	292	1.46	1,030	3.96	6,020	13.38	8,540	17.08
Total, fixed costs	1,525	10.17	3,866	19.33	17,710	68.12	87,419	194.26	119,142	238.28
Total costs	2,733	18.21	6,750	33.76	27,200	104.52	156,604	348.00	258,352	516.70
Total cost per—										
Aircraft-mile	$0.182		$0.224		$0.515		$1.180		$1.148	
Available seat-mile	$0.091		$0.056		$0.099		$0.084		$0.130	
Aircraft-mile variable cost	$0.081		$0.095		$0.180		$0.521		$0.605	
Operating data:										
Utilization[2]	150		200		260		450		500	
Miles flown	15,000		30,200		52,800		132,750		225,000	
Block speed[3]	100		151		203		295		450	
Fuel consumption[4]	6.8		10.6		28.3		125.0		300.0	
Passenger seets	2		4		5.2		14		8.8	

[1] Pilot expenses for agricultural use aircraft would edd a small amount for this item.
[2] Hours flown in yeer.
[3] Miles per hour.
[4] Gellons per hour.

ANNEX 2

ADJUSTED OPERATING COSTS, 1969 (SINGLE-ENGINE, PISTON AIRCRAFT)

Item	1 to 3 place aircraft		4 place and over	
	Cost per year	Cost per hour[1]	Cost per year	Cost per hour[1]
Fuel	$450	$3.00	$930	$4.65
Oil	59	.39	88	.44
Inspection	161	1.07	400	2.00
Maintenance	194	1.29	450	2.25
Reserve for overhaul	315	2.10	864	4.32
Depreciation	340	2.27	900	4.50
Insurance	870	5.80	988	4.94
Miscellaneous	80	.53	292	1.46
Totel	2,469	16.45	4,912	24.56
Miles per year	15,000		30,200	
Cost per mile	$0.1646		$0.1626	
Miles per hour		100		151
Cost per mile		$0.1645		$0.1626

[1] Average utilization for 1 to 3 place aircraft is 150 hours per year; utilization for 4 place and over aircraft is 200 hours per year.

ANNEX 3

OPERATING COSTS, 1973 (SINGLE-ENGINE, PISTON AIRCRAFT)

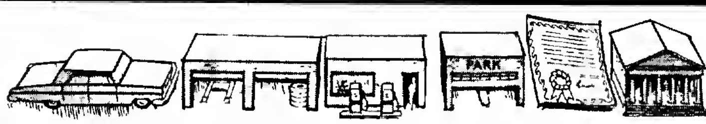
Item	Cost per mile, 1969 (cents)	Percent change in CPI from 1969 to April 1973	Change in cost per mile (cents)	Cost per mile December 1973 (cents)
1 to 3 place	16.46	25.77	4.24	20.70
4 place and over	16.26	25.77	4.19	20.45

APPENDIX V

COST OF OPERATING AN AUTOMOBILE

SUBURBAN BASED OPERATION

CENTS PER MILE



	ORIGINAL VEHICLE COST DEPRECIATED	MAINTENANCE, ACCESSORIES, PARTS & TIRES	GAS & OIL (EXCLUDING TAXES)	GARAGE, PARKING, & TOLLS	INSURANCE	STATE & FEDERAL TAXES	TOTAL COST
STANDARD SIZE	4.2¢	3.4¢	3.2¢	2.0¢	1.6¢	1.5¢	15.9¢
COMPACT SIZE	2.9¢	2.7¢	2.6¢	2.0¢	1.5¢	1.2¢	12.9¢
SUBCOMPACT SIZE	2.3¢	2.5¢	2.0¢	2.0¢	1.5¢	.9¢	11.2¢

U.S. DEPARTMENT OF TRANSPORTATION
Federal Highway Administration
Office of Highway Planning
Highway Statistics Division
April 1974

COST OF OPERATING AN AUTOMOBILE

(By L. L. Liston and R. W. Sherrer)

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Introduction

The 101 million automobiles registered in 1973 traveled more than 1 trillion miles and used over 76 billion gallons of gasoline. About 11 million of these automobiles were purchased new during the year at a cost of more than $27 billion. Many of the owners of these new cars, who bought vehicles costing $2,500 or more, probably did not realize that they were making the second most expensive purchase a person makes during his life. In fact, most owners probably are not aware of how much their cars cost to own and operate. The purchase price is only the first in a series of costs incurred in the automobile's approximate 10-year, 100,000-mile trip from the assembly line to the junkyard. *To examine this trip and the vehicle costs, one geographic location, suburban Baltimore, Maryland, was chosen as the study site. The study data are for that location only, and are not national averages.*

As was the case in the 1972 study, three cars have been chosen to compare the costs incurred, and to show the various costs in relation to the highway-user taxes paid. Earlier editions of this report [1] considered costs for only one vehicle, a standard size "big 3" four-door sedan operated from a home in the Baltimore, Maryland, area. The current study is also based in the Baltimore, Maryland, area in order to retain comparison with data from prior reports.

The vehicles chosen for study are a standard size "big 3" four-door sedan (table 1), an American-made compact (table 2), and a subcompact (table 3). The modern American subcompact cars have not been in existence long enough so that accurate data can be obtained on anticipated repairs and maintenance costs. Therefore, assumptions had to be made concerning some of these factors. All assumptions will be discussed later.

During the 10-year study period, assuming current rates, the standard-size car owner will pay $4,032 for some 7,700 gallons of gasoline. He will pay $2,940 to keep the vehicle maintained and in repair, $1,618 to insure it, and $1,960 for garaging, parking, and tolls. His State and Federal automotive tax bill, most of which goes to support the roads he drives on, will amount to $1,509—about 9.5 percent of total costs. Many ownership and operation costs for the typical compact and subcompact cars are not comparable to those of the standard-size car because of the assumed items of optional equipment on each car and their effect on costs. However, the automotive tax portions of the costs for each car should be comparable. These taxes total $1,158 for the compact car, and $925 for the subcompact car—9 percent and 8.3 percent respectively of total costs.

During the 24-year period, 1950–1974, the State and Federal tax component of automobile costs has varied less than 1.5 percentage points (10.9 percent in 1950 to 9.5 percent in 1974). The taxes shown in this report for the standard-size automobile are 9.5 percent of total costs, down from the 9.7 percent shown in 1972. Many local jurisdictions tax motor vehicles and their use in a manner similar to the State registration taxes and motor-fuel taxes. Also, several States levy personal property taxes on motor vehicles. None of these taxes were levied in the study area, but any computations of the cost of owning and operating an automobile in an area where such taxes exist should include them.

The "Cost of Operating an Automobile" report has been updated and published as changes in costs and vehicle characteristics have warranted additional study. The most recent prior edition was issued in April 1972. The text, method, and coverage of the current report borrows freely from former reports.

Study Factors and Assumptions

A description of the vehicles included in the study, the repairs, the repetitive maintenance operations, replacement items, insurance, and other costs that were included in the study and the values of factors used to compute these costs are listed in the tabulation titled, "Automobile Operating Costs—Bases for Esti-

[1] Studies were published in 1950, 1967, 1970, and 1972. Copies of the 1972 study are available, but supplies of the earlier editions have been exhausted.

mates." The costs and rates for suburban Baltimore, shown in this table, can be compared easily with costs and rates for other localities. Then, estimates of automobile operating costs for vehicles in those other localities can be made using this study as a guide. For example, the price of gasoline used in this study, as shown in the "Bases for Estimates" table, was 52.1 cents per gallon. If the price of gasoline in another locality were 54.1 cents per gallon, persons living there, and wishing to estimate their own automobile operating costs, could adjust the gasoline cost figure in this study to reflect the 2 cents per gallon higher price. Other costs and rates would have to be checked, and any necessary adjustments made.

The vehicles considered here are from the same manufacturers as those used in the 1972 study, but there are base price differences between the cars for each of the years.

In prior studies, the list or "sticker" price of the basic automobile plus optional equipment was considered to be the purchase price. In the current study the purchase price of the car was considered to be the "sticker" price of the vehicle including optional equipment less the average discount allowed on that car, as reported by a number of dealers. Consequently, even though the list price of the 1974 model standard-size car is several hundred dollars more than the price of the comparable vehicle used in the 1972 study, the *purchase price* shown for the 1974 model is less. The amount of discount a dealer allows depends on the size of dealership, his inventory situation, time of year, and the ability of the buyer to negotiate a good deal.

The costs shown in this report are not taken from records of specific vehicles nor are the amounts of usage, fuel consumption rates, or any other factors necessarily presented as averages. However, the vehicle and operation cost factors probably are typical for cars of these sizes in the study area. Nationwide sales records of the 1974 model standard-size car, and the compact show that 90 percent or more had power steering, over 94 percent had automatic transmissions, 90 percent had radios, and 85 percent of the standard-size cars had air conditioners. For the subcompacts the number with power steering was negligible, 27 percent had air conditioning, 57 percent had automatic transmissions, and 83 percent had radios. The factors used here were selected on the basis of available statistics, discussions with automobile industry personnel, and assistance from service managers of major automobile dealers.

In order to estimate car operating costs, it was necessary to make a series of assumptions concerning tire and battery replacements, wheel alinements, light bulbs, fan belts, brake linings and parts, lubrications, and other repair and maintenance items. The need for repairs was estimated from data gathered during discussions of repair experience with car service personnel, and from the authors' knowledge. They include such items as starter repair, carburetor overhaul, replacement of fuel pump, radiator hoses, muffler, tail pipes, and shock absorbers, and what must seem to the owner to be a pretty long list of other repairs. Several of these repairs must be made more than once during the life of the car. No costs were included for repairs or replacements that would have been covered by warranties. The mechanical features on the vehicles in this study are similar to those in the prior study, so changes in costs are due mainly to increases in charges for parts and labor. Maintenance and repair costs reflect a 3-year increase in parts prices over those used in the 1972 study. The 1972 study was based on 1971 prices. In the current study the costs for all repairs are based on 1974 prices.

The assumed vehicle life of 100,000 miles during a 10-year period has been questioned by some persons as being too long, and others who believe it to be too short. Vehicle survival data developed on popular brand, standard-size cars show that half of those automobiles were still on the road at the end of 10 years. This finding appears to be applicable to the compact cars also, but there is still not enough evidence to establish a survival rate for subcompacts. Odometer readings were taken recently from subcompact cars ranging from 1 to 3 years old, and the indicated miles traveled are consistent with the mileage assumptions for the standard-size and compact cars.

It has been assumed that each car was bought new, without a trade-in, and that the purchaser did not have to pay full sticker price. The intent is to trace each vehicle and its costs through a 10-year life as developed from odometer records of vehicles of these kinds. Usually an automobile passes through two, three, or more owners during its life, but we have not included any change of

ownership costs in our figures. A person's demand for transportation tends to be relatively stable from year to year, so it would be unlikely that he would operate his only car successively fewer miles each year. However, a 9-year old car is typically operated fewer miles during the year than a new one or a relatively new one. Therefore, it can be assumed that the older car has become the second or third car in a family, or for some other reason it is operated at a much reduced rate.

Not all cost items are listed in detail in the tables, but sufficient information is included to assist those who wish to make recomputations to fit other geographic areas, or other types of operation. The costs are computed for suburban Baltimore, Maryland. If the suburban costs had been computed for Boston, New York, or San Francisco, they probably would have been higher, and if they had been computed for Jacksonville, Montgomery, or Fort Worth, they would have been lower. Rural running costs in most parts of the United States probably would not differ greatly, but there could be noticeable differences in vehicle registration fees, and in gasoline taxes because of the variance in rates among States. The running costs (gasoline, tires, oil, repairs, and maintenance, etc.) for the vehicles in rural operation tend to be lower than for comparable cars in suburban use, because there are fewer traffic control devices, less congestion, and the opportunity for accidents with other vehicles is less frequent.

The costs that are most likely to change in the short range, and are likely to need adjustments from one geographic location to another are: gasoline price and tax, registration fee, repair labor rate, insurance premium, toll charges and parking charges. Also the remaining value of a car differs from region to region, so the used car value guide should be consulted for the owner's area in order to adjust the amount for depreciation.

Automobile financing charges are not included in the tables of costs shown in this report. However, they can be computed easily for given automobile sales prices and interest rates. A car buyer must pay interest off money borrowed from a bank or other financial institution or forego interest he would have earned if he elects to use his savings or other investments and pay for the car outright. On a 36-month loan covering three-fourths of the purchase price, the interest charge in suburban Baltimore at a 10-percent annual rate, and its cost per mile for the 3-year period, would be $517 or 1.3 cents per mile for the standard-size car. It would be $356, or 0.9 cents per mile for the compact, and $291 or 0.7 cents per mile for the subcompact. On the other hand, if the purchase were financed by a savings withdrawal rather than by borrowing, and the amount withdrawn were paid back in 36 equal monthly installments, the net interest lost (at 5½ percent) in the account would be $286 or 0.7 cents per mile for the standard-size car, $197 or 0.5 cents per mile for the compact, and $161 or 0.4 cents per mile for the subcompact. There can be important cost differences in alternative methods of financing a new car purchase, and the merits of different plans should be weighed carefully before a particular one is selected.

The garaging cost is computed to be the value of any arrangements made by the car owner for off-street storage of the car at his residence. It may be an attached or detached garage, a carport, or it may be a paved parking apron or gravel surfaced space beside his house. Parking costs include metered curb parking, and costs of temporary storage in lots or parking buildings away from the owner's residence.

In some areas of the United States tolls and garaging would cost less than in the study area, but an automobile owner traveling south, or west, or north from Baltimore customarily would encounter major toll routes. Also, he would spend more for garaging and parking than residents of small towns or rural areas. To go to New York City, 185 miles to the north and return, he would pay $8.10 in tolls, not counting the $1.20 Baltimore Tunnel fee. This is substantially more than persons living in Atlanta, New Orleans, or St. Louis would have to pay in making similar length trips from their localities.

Oddly enough, many automobile owners do not seem to be aware of many of their automobile costs. It is only when a motorist is confronted with a substantial monetary outlay for new tires or for major mechanical repairs that he shows much concern about car expense. Much of the time he drives his car and seems to conclude that his trips are costing him very little. The average automobile is sold or traded three or more times during its life, usually through new or used car dealers. The need for repairs usually causes owners to trade-in their cars, and the dealers serve as the quality control judges of the used vehicle trade. They

wholesale the ones that require too much attention, and make the repairs on the remainder prior to resale. But whether the automobile needing repairs is owned by an individual or is being repaired by a dealer for resale, the money spent eventually becomes a part of the cost of owning and operating the car. Battery and tire replacements, brake linings, radiator repairs, body work, and numerous other replacements and repairs are included in the used car reconditioning programs of many dealers. The additional work that is done under dealer warranties does not impose direct out-of-pocket expenditures on the car owner. These costs are submerged in each automobile's purchase price, and no effort has been made to separate them.

Numerous factors such as individual driving habits, climate, garage facilities, type of road used, purpose for which the car is used, and sometimes luck can affect service life and costs of operating a car. As previously stated, the standard-size car appears to have an average life of about 10 years, and the compacts appear to be surviving at about the same rate. The current American subcompacts have been on the market nearly 4 years so their survival history is beginning to develop. Odometer checks of a limited sample of these subcompacts show an average annual mileage for the first 3 years of 13,000 miles. This is consistent with the mileage of the larger vehicles. Other vehicles that were generally of this size (the early Falcons, Valiants, Corvairs, and Ramblers, as well as many imports) appear to be on the highways in sufficient numbers to warrant the following assumptions. For ease of comparison among vehicle sizes and uses, all of the study vehicles have been assumed to have a 10-year, 100,000-mile life. It has been assumed that a normal travel pattern would be 14,500 miles in the first year, and a decreasing number of miles each year thereafter until the vehicle is driven only 5,700 miles in its 10th year. These assumptions are reasonably consistent with available travel data.

Other Applications for Study Data

A person's choice of an automobile—standard size, compact, or subcompact—is dependent on several considerations. For the motorist who needs the space provided in the standard-size car because of a large family, carpool needs, or equipment that must be carried, the economies and size advantages of the compact and subcompact must be foregone. If he finds that those needs are not compelling, the smaller cars offer several advantages. Parking in curb space is easier, some parking lots have lower rates for small cars, repair costs are not as expensive, registration fees in some States are lower, tires cost less, and saving in gasoline cost over the life of the car will be enough to pay a substantial amount toward the cost of a new car. Comparing gasoline cost alone between the standard-size car and the subcompact there can be a saving during 100,000 miles of travel of about $1,600 by using the subcompact. This is two-thirds of the new car cost for another subcompact. If a person customarily buys a car every 3 years, the gasoline cost savings by using a subcompact rather than a standard-size car would be over $600, or about one-fourth of the cost of a new subcompact. A comparison between the standard-size car and the compact-size car does not provide as large a difference, but it is worthwhile when you consider that compacts have most of the advantages of the large cars, and at the same time provide most of the advantages of the subcompacts.

Another question that motorists frequently ask is, "When should I trade-in my car?" There is no answer that fits everyone, because monetary consideration is only a part of the problem. Vehicle style, size, interior decor, mechanical features, availability of money, and many other things may be important to the car owner in making his decision of which vehicle to buy, and when to buy again. However, most people probably are concerned mainly with the money difference when they ask the question. The "annual trader" drives a current model car all of the time, but depreciation for his standard-size automobile over a 10-year period costs him about $10,460 (10 times the first year depreciation). The "two-year trader" pays about $8,465 in depreciation (5 times the depreciation for the first 2 years). This is a savings of $1,995 from the annual trader's costs, and he can save even more by becoming a "three-year trader" However, after the first year he faces a series of outlays for the tire replacement, repairs, and incidentals that begin to offset his savings in depreciation. The obvious flaw in trying to use these tables to determine when to "trade-in" a car is that a person's annual auto usage tends to be constant from year to year, and does not follow the pattern shown for the life of a car. If he customarily drives 14,500 miles per year, it is unlikely that he would drive fewer

miles the second year and still fewer the third year. Therefore, by the end of the third year he will have driven 43,500 miles (3×14,500 miles) instead of the 39,000 miles obtained by accumulating the mileage shown for the first 3 years on table 1. By the end of the fourth year he will have traveled 58,000 miles while table 1 shows this to be the mileage on a 5-year old car. Therefore, it appears that the mileage traveled can be as important to a car's condition and remaining value as the car's chronological age. But, using total miles traveled as the only determinant of a car's condition can be misleading. Some long trips can put a lot of "easy" mileage on a car, while many short trips to the store and around the neighborhood, with a lot of stop-and-go driving, can put fewer, but "very wearing" miles on a car.

The total vehicle cost per mile is lower for the high-mileage drivers, because depreciation in the early years of a car's life is determined more by age than by miles, and because some of the annual or non-recurring charges, such as garaging and insurance, do not increase in proportion to mileage. A low-mileage driver sustains about the same depreciation, insurance, and garaging costs, but they are distributed over fewer miles and result in a higher cost per mile. Most insurance companies charge lower rates for private and recreational uses of vehicles, and higher rates for vehicles used directly for work or in relation to business. In addition, many companies apply a surcharge for high-mileage drivers in both categories. To some degree, the purpose for which a car is used, and the circumstances of its use will dictate the vehicle cost pattern. Once an owner determines his vehicle-use pattern, he may be able to relate his costs to those shown in this report and decide when it will be most advantageous to him to trade his car. The high-mileage driver may find some repairs and tire replacements moved to earlier years than those shown in this study. Of course, comfort, dependability and appearance are important to most car owners, and weigh heavily in the automobile purchasing decision.

Reimbursement by an employer of the costs for an employee's use of his car for business purposes is a fairly common occurrence today. The question uppermost in the mind of each of the parties is, "How much should the reimbursement be?" If an employee uses his automobile only occasionally and incidentally for business purposes, an amount necessary to cover out-of-pocket costs, tire wear, and general wear on the vehicle should be sufficient. At today's prices 7 to 9 cents per mile should be enough. If the extent or type of use affects his insurance rate, or if it subjects the automobile to unusual loads or operating conditions, the reimbursement should be adjusted upward accordingly. Tolls and parking or storage costs incurred in the course of such use should be paid separately and in full, regardless of per-mile reimbursement. If an employee's job is dependent on his obtaining and using his car in his employer's behalf, reimbursement on the basis of the employee's overall costs per mile seems fair. If, in addition, the employee's frequency of car purchases, the type of automobile bought, or other factors of ownership or upkeep are substantially affected by the employer's requirements, the reimbursement should be sufficient to cover all outlays that exceed what the employee would normally spend for his own nonbusiness automobile transportation. For complete information concerning reimbursement for private automobile use, there are business travel advisory services that can be consulted. These are commercial advisory services that have made studies of costs for specific vehicles and groups of vehicles under various conditions of use.

Discussion of Costs

When an automobile is operated 100,000 miles there are 400,000 miles of tire wear. For the vehicles in this report it was assumed that fiberglass bias-belted tires would be used. Therefore, the automobiles would each wear out the original 5 tires and require 11 additional replacements, which would include 7 regular tires and 4 snow tires. If the automobiles are driven with reasonable care, and the wheels are kept properly alined, this number of tires should be adequate for the standard-size car. The compact and subcompact should turn 100,000 miles and have usable tread left on the tires.

If the standard-size automobile were purchased with radial tires having a 40,000 mile tread-wear guarantee, it is likely that only 5 tire replacements would be necessary. The cost of replacement fiberglass tires would be $386 while the replacement radials would cost $350. The saving of $36 would be enhanced by additional savings in gasoline, since the gasoline consumption rate is improved by about 5 percent when radial tires are used.

Depreciation is the greatest single cost of owning and operating a standard-size automobile, and the second highest cost for the compact and subcompact. In the great majority of cases the age of a car is more important than its mileage in determining its resale or trade-in value. Such factors as brand popularity, body style, size, and to some degree, color, are also considered in determining value. For the standard-size car, by far the greatest dollar depreciation in its value occurs in its first few years, while for the smaller cars the depreciation is more evenly distributed over their years of use. Since newer cars are driven more miles than older cars, the depreciation on a per-mile basis is held down the first few years. For example, consider depreciation for the standard-size car in this report. If the car were bought new for $4,251 and sold or traded at the end of the first year, when it had been driven 14,500 miles, depreciation would be $1,046. This depreciation cost divided by the 14,500 miles driven the first year amounts to 7.2 cents per mile. By the end of the second year, when the car has been driven 27,500 miles, depreciation would total $1,693, which divided by the 27,500 miles would compute to 6.2 cents per mile. Year by year as the car gets older depreciation decreases, but the outlay for maintenance and repairs rises. As time passes it becomes increasingly difficult and expensive to keep a car in satisfactory operating condition.

Modern highways with limited access, such as the Interstate System, make possible long trips at sustained speeds. To do this safely requires a well maintained car. Although added safety features are being incorporated in the highways and the new vehicles are being equipped with lap and shoulder belts, impact resistant bumpers, side guard beams in the doors, etc., there also must be a policy of continuous, high-standard maintenance of the vehicles to help make highway travel safe. A charge of $12 an hour or more for shop labor is not unusual, and this is a major factor in the 2.9 cents per mile cost for repairs and maintenance for the standard-size automobile. The encouragement of the public to buy compact and subcompact cars is based on substantially better gasoline mileage and the relative simplicity of the vehicles. For those persons who might like to do some of their own minor repairs and maintenance, the smaller cars afford that opportunity. Replacement of spark plugs, windshield wiper blades, fan belts, radiator hoses, etc., are simple and there are indeed savings to be realized. When trained mechanics do these jobs, vehicle owners must pay professional wages. Although there are increasing numbers of "at home" mechanics, repair garage experience shows that the public generally is not ready to assume this responsibility.

The gasoline expense is the highest cost for the compact and subcompact, and second only to depreciation for the standard-size car. Until gasoline shortages began to occur in 1973, the price of gasoline had changed very little for 20 or more years. However, the gasoline price has risen more than 14 cents per gallon in the study area since early 1972, with practically all of the increase occurring in the few months of late 1973 and early 1974. There was a 2-cent State gasoline tax increase in mid-1972, so the remaining 12 cents of the increase is all price, and is a 32 percent rise.

Automobiles are continuously exposed to the possibility of damage, whether on the highway or parked. The large numbers of vehicles on the roads and streets, and the relatively uncontrolled traffic in shopping center parking lots make cars highly susceptible to accident involvement. Controlled crash tests on cars produced through 1973 showed that they were not able to escape unmarked from any sort of collision. Automotive designs had been developed with little or no regard for safety, and some even contributed unnecessarily to automotive damage with the attendant higher repair costs and higher insurance. One insurance company executive commented that until the volume of accidents is cut, or until cars are built so they are cheaper to repair, there is not much that can be done about rates. The 1974 models were manufactured with energy absorbing bumpers that were designed to protect against impacts up to 5 miles per hour without damage to the vehicles. As a result, several major insurance company spokesmen have stated that up to a 20-percent discount in collision insurance premiums can be expected on these vehicles.

The insurance coverage includes $50,000 combined public liability, full comprehensive fire and theft, uninsured motorist, and personal injury protection with first-party medical and wage benefits of $2,500. The latter is no fault insurance and is now compulsory in Maryland. Also included is $100 deductible collision insurance, which is dropped after the first 5 years. If an owner is "at fault" in an accident during the first 5 years, the first $100 damage to his automobile is out-of-pocket cost to him, but from the sixth through the tenth years he must pay

the entire cost for repairing his automobile. Accidents could, therefore, increase the cost of owning and operating a vehicle above the amounts shown in the accompanying tables.

The quality of roads—grades, surfaces, and curves—has been improved substantially in recent years. The Interstate Highway System is approaching completion, with 84 percent open to traffic, another 7 percent under construction, and 7 percent with engineering or right-of-way work in progress. These roads are more than living up to the expectations for them. Highway authorities point out that the newer highways of the Interstate System design provide opportunity for sustained safe speeds and comfort for the motorists. Accident records show that the Interstate System accident rate is about half that of the remainder of the primary highways in the United States. Savings in accident costs from the Interstate System alone are counted in billions of dollars.

The development of local shopping centers, suburban residential areas, and employment centers, as well as the dispersal of recreational opportunities has made transportation very important in the American life pattern. Where public transportation is not well developed, the automobile must be used. Sales records of new vehicles show increased purchases of compact and subcompact cars in preference to the larger models. In many cases this is a reaction to the gasoline shortages that have plagued parts of the United States during the last few months. It is interesting to note, however, that a high percentage of the smaller than standard-size cars being purchased have air conditioners, automatic transmissions, power steering and other optional equipment. There appears to be no shortage of money to buy cars, and people still want to travel. The lack of adequate roads can cause car running costs to rise. When traffic is not free flowing, there is greater fuel consumption, higher fuel cost, more pollutants are released into the air, there is greater opportunity for accidents, and there is much higher per-mile wear on engine parts, brakes, tires, etc. Also, poorly maintained roads may develop pot holes, broken slabs, obliterated traffic lines, damaged or missing signs, etc. Any or all of these could contribute to damage to a motor vehicle and the safety of those riding in it. So the problem is to maintain an adequate highway system that will save money on operating and maintenance costs. However, putting highway costs into proper perspective is difficult at times.

Highway-user taxes are the major source of revenues for highway building and maintenance. In paying them the motorist is, in a very real sense, paying for the roads he is using. For some motorists it will come as a surprise that for the standard-size car only 9.5 cents of their vehicle owning and operating dollar goes to pay for the roads. For the smaller cars it is even less.

Financing highway construction and maintenance has become increasingly difficult over the years, because automotive taxes are generally applied as unit charges. The gasoline tax at a certain number of cents per gallon, and the registration fees at a flat rate per vehicle, are not sensitive to price changes. As the cost of labor and products used for highway construction and maintenance rise, the gasoline tax and registration fees do not yield comparably higher revenues. Therefore, except for the possibility of added revenues caused by greater use of gasoline and more vehicles being registered, highway construction and maintenance must be accomplished with tax money that is continuously losing value. Relief occurs only when States raise their tax rates to try to offset inflated costs. Sensitivity to changes in costs would be possible if these taxes were applied on the value of the product, like sales taxes.

During the first year of operation the three study cars would have daily owning and operating costs of \$6.65 (standard size), \$4.30 (compact), and \$3.52 (subcompact). In the second year daily costs would drop by \$1.70 for the standard-size car to \$4.95; by 38 cents to \$3.92 for the compact; and by 33 cents to \$3.19 for the subcompact. The daily costs continue to drop, and the differences in these costs between car sizes narrow as the years pass. By the time each of the cars has accumulated nearly 60,000 miles, the daily costs are relatively close. They remain close during the next 25,000 miles of travel, so the economic advantage of having a small car during that period would not be great. Other factors that might influence the choice of a vehicle during this time might be the availability of gasoline, miles per gallon obtained, parking convenience, maneuverability in traffic, the ability to transport large numbers of persons or bulky materials, and environmental considerations.

The bases for estimating the operating costs for each of the study automobiles follow, in modified tabular form, in order to emphasize the factors that differ and those that are the same for the three vehicles. The annual costs and per-mile costs shown in tables 1, 2, and 3 are self-explanatory.

AUTOMOBILE OPERATING COSTS - BASES FOR ESTIMATES

ITEM	STANDARD SIZE AUTOMOBILE	COMPACT SIZE AUTOMOBILE	SUBCOMPACT SIZE AUTOMOBILE
Automobile Description	1974 model 4-door sedan Equipped with: V-8 engine, automatic transmission, power steering and brakes, air conditioning, tinted glass, radio, clock, white-wall tires, wheel covers, and body protective molding. Purchase price - $4,251.	1974 model 2-door sedan Equipped with: 6 cylinder engine, automatic transmission, power steering, radio, vinyl top, wheel covers, and body protective molding. Purchase price - $2,910.	1974 model 2-door sedan Equipped with: Standard equipment plus radio, wheel covers, and body protective molding. Purchase price - $2,410.
Repairs and Maintenance	Includes routine maintenanoe such as lubrications, repacking wheel bearings, flushing cooling system, and aiming headlamps; replacement of minor parts such as spark plugs, fan belts, radiator hoses, distributor cap, fuel filter, and pollution control equipment; minor repairs such as brake jobs, water pump, carburetor overhaul, and universal joints; and major repairs such as a complete "valve job." Costs were calculated using 1974 parts prices and a $12 per hour labor rate.		
Replacement Tires	Purchase of 7 new regular tires and 4 new snow tires during the lives of the cars was assumed.		
Accessories	Purchase of floor mats the first year, seat covers the sixth year, and miscellaneous items totaling $2.20 per year was assumed.		
Gasoline	Consumption rate of 12.92 miles per gallon and a gasoline price of 52.1 cents per gallon including taxea were used.	Consumption rate of 15.97 miles per gallon and a gasoline price of 52.1 cents per gallon including taxes were used.	Consumption rate of 21.43 miles per gallon and a gasoline price of 52.1 cents per gallon including taxes were used.
Oil	Consumption was associated with gasoline consumption at a rate of 1 gallon of oil for every 159 gallons of gasoline. A price of $1.00 per quart was used.	Consumption was associated with gasoline consumption at a rate of 1 gallon of oil for every 150 gallons of gasoline. A price of $1.00 per quart was used.	Consumption was associated with gasoline consumption at a rate of 1 gallon of oil for every 135 gallons of gasoline. A price of $1.00 per quart was used.
Insurance	Goverage includes $50,000 combined public liability ($15,000/$30,000 bodily injury, and $5,000 property damage), $2,500 personal injury protection, uninsured motorist coverage, and full comprehensive coverage for the 10-year period. Deductible collision insurance was assumed for the first 5 years ($100 deductibla).		
Garaging, Parking, and Tolls	Includes monthly charges of $11.00 for garage rental or indirect cost of the owner's geraging facility; plus parking fee average of $57.00 per year, and toll average of $7.00 per year, both oi which were assigned in proportion to annual travel.		
Taxes	Includes Federal excise taxes on tires (10 cents per pound), lubricating oil (6 cents per gallon), and gasoline (4 cents per gallon); plus the Maryland tax on gasoline (9 cents per gallon), titling tax (4 percent of retail price), and registration fee ($20.00 for 3,700 pounds or less shipping weight, or $30.00 for vehicles over 3,700 pounds).		

TABLE 1 - ESTIMATED COST OF OPERATING A STANDARD SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:										
Depreciation	1,046.00	7.21	647.00	4.98	550.00	4.78	404.00	4.04	294.00	2.97
Repairs and Maintenance	122.96	.85	158.01	1.21	333.42	2.90	442.36	4.42	326.76	3.30
Replacement Tires	18.63	.13	16.71	.13	28.98	.25	42.09	.42	42.80	.43
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	438.70	3.03	393.35	3.02	347.99	3.03	302.63	3.03	299.51	3.03
Oil	20.00	.14	19.00	.15	20.00	.17	19.00	.19	21.00	.21
Insurance	205.00	1.41	192.00	1.48	192.00	1.67	177.00	1.77	177.00	1.79
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.65	205.60	1.79	196.00	1.96	195.36	1.97
Total	2,079.62	14.34	1,644.66	12.65	1,681.24	14.62	1,586.19	15.86	1,359.53	13.73
Taxes and Fees:										
State:										
Gasoline	100.98	.70	90.54	.70	80.10	.70	69.66	.70	68.94	.70
Registration	30.00	.21	30.00	.23	30.00	.26	30.00	.30	30.00	.30
Titling	170.04	1.17	-	-	-	-	-	-	-	-
Subtotal	301.02	2.08	120.54	.93	110.10	.96	99.66	1.00	98.94	1.00
Federal:										
Gasoline	44.88	.31	40.24	.31	35.60	.31	30.96	.31	30.64	.31
Oil 2/	.30	-	.29	-	.30	-	.28	-	.32	-
Tires	1.45	.01	1.30	.01	2.26	.02	3.27	.03	3.34	.04
Subtotal	46.63	.32	41.83	.32	38.16	.33	34.51	.34	34.30	.35
Total Taxes	347.65	2.40	162.37	1.25	148.26	1.29	134.17	1.34	133.24	1.35
Total of All Costs	2,427.27	16.74	1,807.03	13.90	1,829.50	15.91	1,720.36	17.20	1,492.77	15.08

1/ This estimate covers the total costs of a fully equipped, medium priced, standard size, 4-door sedan, purchased for $4,251, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.
2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

TABLE 1 - ESTIMATED COST OF OPERATING A STANDARD SIZE 1974 MODEL AUTOMOBILE 1/

(Total costs in dollars, costs per mile in cents)

Office of Highway Planning
Highway Statistics Division

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	264.00	2.67	252.00	2.65	250.00	2.94	248.00	3.31	246.00	4.31	4,201.00	4.20
Repairs and Maintenance	379.81	3.84	570.45	6.00	224.05	2.63	346.92	4.62	35.20	.62	2,939.94	2.94
Replacement Tires	53.39	.54	53.71	.57	51.61	.61	43.47	.58	34.60	.61	385.99	.38
Accessories	9.43	.09	9.14	.10	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	299.51	3.03	287.39	3.03	257.28	3.03	227.17	3.03	172.43	3.02	3,025.96	3.03
Oil	22.00	.22	23.00	.24	19.00	.22	20.00	.27	12.00	.21	195.00	.19
Insurance	135.00	1.36	135.00	1.42	135.00	1.59	135.00	1.80	135.00	2.37	1,618.00	1.62
Garaging, Parking, Tolls, etc.	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,358.50	13.72	1,523.49	16.04	1,131.76	13.31	1,208.23	16.11	810.07	14.21	14,383.29	14.38
Taxes and Fees:												
State:												
Gasoline	68.94	.70	66.15	.70	59.22	.70	52.29	.70	39.69	.70	696.51	.70
Registration	30.00	.30	30.00	.31	30.00	.35	30.00	.40	30.00	.52	300.00	.30
Titling	-	-	-	-	-	-	-	-	-	-	170.04	.17
Subtotal	98.94	1.00	96.15	1.01	89.22	1.05	82.29	1.10	69.69	1.22	1,166.55	1.17
Federal:												
Gasoline	30.64	.31	29.40	.31	26.32	.31	23.24	.31	17.64	.31	309.56	.31
Oil 2/	.33	-	.34	-	.29	-	.30	-	.18	-	2.93	-
Tires	4.15	.05	4.17	.05	4.01	.05	3.38	.05	2.70	.05	30.03	.03
Subtotal	35.12	.36	33.91	.36	30.62	.36	26.92	.36	20.52	.36	342.52	.34
Total Taxes	134.06	1.36	130.06	1.37	119.84	1.41	109.21	1.46	90.21	1.58	1,509.07	1.51
Total of All Costs	1,492.56	15.08	1,653.55	17.41	1,251.60	14.72	1,317.44	17.57	900.28	15.79	15,892.36	15.89

1/ This estimate covers the total costs of a fully equipped, medium priced, standard size, 4-door sedan, purchased for $4,251, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.

2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

TABLE 2 - ESTIMATED COST OF OPERATING A COMPACT SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:										
Depreciation	400.00	2.76	372.00	2.86	329.00	2.86	300.00	3.00	286.00	2.89
Repairs and Maintenance	108.48	.75	186.38	1.43	237.19	2.06	310.03	3.10	319.78	3.23
Replacement Tires	15.42	.10	13.83	.11	20.88	.18	34.83	.35	38.65	.39
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	355.03	2.45	318.27	2.45	281.52	2.45	244.77	2.45	242.42	2.45
Oil	17.00	.12	16.00	.12	17.00	.15	16.00	.16	17.00	.17
Insurance	190.00	1.31	180.00	1.38	180.00	1.56	166.00	1.66	166.00	1.68
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.66	205.60	1.79	196.00	1.96	195.36	1.97
Total	1,314.26	9.06	1,305.07	10.04	1,274.44	11.08	1,270.74	12.71	1,268.31	12.81
Taxes and Fees:										
State:										
Gasoline	81.72	.57	73.26	.57	64.80	.56	56.34	.56	55.80	.57
Registration	20.00	.14	20.00	.15	20.00	.18	20.00	.20	20.00	.20
Titling	116.40	.80	-	-	-	-	-	-	-	-
Subtotal	218.12	1.51	93.26	.72	84.80	.74	76.34	.76	75.80	.77
Federal:										
Gasoline	36.32	.25	32.56	.25	28.80	.25	25.04	.25	24.80	.25
Oil 2/	.26	-	.24	-	.25	-	.24	-	.26	-
Tires	1.18	.01	1.06	.01	1.60	.02	2.68	.03	2.98	.03
Subtotal	37.76	.26	33.86	.26	30.65	.27	27.96	.28	28.04	.28
Total Taxes	255.88	1.77	127.12	.98	115.45	1.01	104.30	1.04	103.84	1.05
Total of All Costs	1,570.14	10.83	1,432.19	11.02	1,389.89	12.09	1,375.04	13.75	1,372.15	13.86

1/ This estimate covers the total costs of a medium priced, compact size, 2-door sedan, purchased for $2,910, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.
2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

TABLE 2 - ESTIMATED COST OF OPERATING A COMPACT SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	278.00	2.81	269.00	2.83	228.00	2.68	212.00	2.83	186.00	3.26	2,860.00	2.86
Repairs and Maintenance	325.78	3.29	499.65	5.26	234.80	2.76	102.83	1.37	40.61	.71	2,365.53	2.36
Replacement Tires	41.01	.42	49.43	.52	45.09	.53	41.39	.55	30.24	.53	330.77	.33
Accessories	9.43	.10	9.14	.09	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	242.42	2.45	232.65	2.45	208.01	2.45	183.77	2.45	139.59	2.45	2,448.45	2.45
Oil	19.00	.19	20.00	.21	16.00	.19	17.00	.23	12.00	.21	167.00	.17
Insurance	130.00	1.31	130.00	1.37	130.00	1.53	130.00	1.73	130.00	2.28	1,532.00	1.53
Garaging, Parking, Tolls, etc.	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,241.00	12.54	1,402.67	14.76	1,056.72	12.43	874.66	11.66	713.28	12.51	11,721.15	11.72
Taxes and Fees:												
State:												
Gasoline	55.80	.56	53.55	.57	47.88	.56	42.30	.56	32.13	.56	563.58	.56
Registration	20.00	.20	20.00	.21	20.00	.24	20.00	.27	20.00	.35	200.00	.20
Titling	-	-	-	-	-	-	-	-	-	-	116.40	.12
Subtotal	75.80	.76	73.55	.78	67.88	.80	62.30	.83	52.13	.91	879.98	.88
Federal:												
Gasoline	24.80	.25	23.80	.25	21.28	.25	18.80	.26	14.28	.26	250.48	.25
Oil 2/	.29	-	.30	-	.24	-	.25	-	.18	-	2.51	-
Tires	3.14	.04	3.80	.04	3.46	.04	3.18	.04	2.33	.04	25.41	.03
Subtotal	28.23	.29	27.90	.29	24.98	.29	22.23	.30	16.79	.30	278.40	.28
Total Taxes	104.03	1.05	101.45	1.07	92.86	1.09	84.53	1.13	68.92	1.21	1,158.38	1.16
Total of All Costs	1,345.03	13.59	1,504.12	15.83	1,149.58	13.52	959.19	12.79	782.20	13.72	12,879.53	12.88

1/ This estimate covers the total costs of a medium priced, compact size, 2-door sedan, purchased for $2,910, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.
2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

TABLE 3 - ESTIMATED COST OF OPERATING A SUBCOMPACT SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR
Costs Excluding Taxes:										
Depreciation	283.00	1.95	265.00	2.04	255.00	2.22	252.00	2.52	243.00	2.46
Repairs and Maintenance	97.69	.67	150.55	1.16	131.60	1.14	351.63	3.52	297.37	3.00
Replacement Tires	13.64	.09	12.23	.09	15.71	.14	30.81	.31	33.67	.34
Accessories	3.53	.03	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	264.32	1.82	236.95	1.82	209.97	1.82	182.60	1.82	180.64	1.83
Oil	14.00	.10	13.00	.10	14.00	.12	13.00	.13	14.00	.14
Insurance	177.00	1.22	169.00	1.30	169.00	1.47	158.00	1.58	158.00	1.60
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.65	205.60	1.79	196.00	1.96	195.36	1.97
Total	1,077.98	7.43	1,065.32	8.19	1,004.13	8.73	1,187.15	11.87	1,125.14	11.37
Taxes and Fees:										
State:										
Gasoline	60.84	.42	54.54	.42	48.33	.42	42.03	.42	41.58	.42
Registration	20.00	.14	20.00	.15	20.00	.17	20.00	.20	20.00	.20
Titling	96.40	.66	-	-	-	-	-	-	-	-
Subtotal	177.24	1.22	74.54	.57	68.33	.59	62.03	.62	61.58	.62
Federal:										
Gasoline	27.04	.19	24.24	.19	21.48	.19	18.68	.19	18.48	.19
Oil 2/	.21	-	.20	-	.21	-	.19	-	.21	-
Tires	.90	.01	.80	.01	1.03	.01	2.02	.02	2.21	.02
Subtotal	28.15	.20	25.24	.20	22.72	.20	20.89	.21	20.90	.21
Total Taxes	205.39	1.42	99.78	.77	91.05	.79	82.92	.83	82.48	.83
Total of All Costs	1,283.37	8.85	1,165.10	8.96	1,095.18	9.52	1,270.07	12.70	1,207.62	12.20

1/ This estimate covers the total costs of a low priced, subcompact size, 2-door sedan, purchased for $2,410, operated 100,000 miles over a 10-year period, then scrapped for $50.
2/ Where costs per mile were computed to be less than 1/20 cent, a dash (-) appears in the column.

TABLE 3 - ESTIMATED COST OF OPERATING A SUBCOMPACT SIZE 1974 MODEL AUTOMOBILE 1/

(Total costs in dollars, costs per mile in cents)

Office of Highway Planning
Highway Statistics Division

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	236.00	2.38	229.00	2.41	217.00	2.55	203.00	2.71	177.00	3.10	2,360.00	2.36
Repairs and Maintenance	327.85	3.31	324.15	3.41	303.84	3.58	96.37	1.29	38.56	.68	2,119.61	2.12
Replacement Tires	35.67	.36	45.86	.48	44.41	.52	40.93	.55	29.79	.52	302.72	.30
Accessories	9.43	.10	9.14	.10	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	180.64	1.83	173.21	1.82	155.23	1.83	136.84	1.82	104.01	1.82	1,824.41	1.82
Oil	16.00	.16	17.00	.18	13.00	.15	14.00	.19	10.00	.18	138.00	.14
Insurance	127.00	1.28	127.00	1.34	127.00	1.49	127.00	1.69	127.00	2.23	1,466.00	1.47
Garaging, Parking, Tolls, etc.	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,127.95	11.39	1,118.16	11.77	1,055.30	12.41	805.81	10.75	661.20	11.60	10,228.14	10.23
Taxes and Fees:												
State:												
Gasoline	41.58	.42	39.87	.42	35.73	.42	31.50	.42	23.94	.42	419.94	.42
Registration	20.00	.20	20.00	.21	20.00	.24	20.00	.27	20.00	.35	200.00	.20
Titling	-	-	-	-	-	-	-	-	-	-	96.40	.09
Subtotal	61.58	.62	59.87	.63	55.73	.66	51.50	.69	43.94	.77	716.34	.71
Federal:												
Gasoline	18.48	.19	17.72	.19	15.88	.19	14.00	.19	10.64	.19	186.64	.19
Oil 2/	.24	-	.25	-	.20	-	.21	-	.15	-	2.07	-
Tires	2.35	.03	3.02	.03	2.92	.03	2.69	.03	1.97	.03	19.91	.02
Subtotal	21.07	.22	20.99	.22	19.00	.22	16.90	.22	12.76	.22	208.62	.21
Total Taxes	82.65	.84	80.86	.85	74.73	.88	68.40	.91	56.70	.99	924.96	.92
Total of All Costs	1,210.60	12.23	1,199.02	12.62	1,130.03	13.29	874.21	11.66	717.90	12.59	11,153.10	11.15

1/ This estimate covers the total costs of a low priced, subcompact size, 2-door sedan, purchased for $2,410, operated 100,000 miles over a 10-year period, then scrapped for $50.
2/ Where costs per mile were computed to be less than 1/20 cent, a dash (-) appears in the column.

SINGLE ROOM RATES IN SELECTED CITIES (DOWNTOWN AREAS)

	Marriott	Hilton	Sheraton
Atlanta	$27 to $36	$19 to $24	$30 and up.
Dallas	$19 to $27	$19 to $27	$22 to $32.
St. Louis	$25 to $32	$20 to $24	$22 to $24.
Boston	$28 to $32	$24 to $32	$23 to $33.
Chicago	$31 to $39	$26 to $53	$29 to $34.
Fort Wayne	$19 to $27	$17 to $21	$16 to $21.
Louisville	$17.50 to $18.50		$12.50 to $15.50.
Los Angeles		$24 to $35	$28 to $30.
Seattle		$21 to $26	$20 to $22.

HOTEL RATES IN WASHINGTON, D.C.

These hotels are members of the Hotel Association of Washington and the American Hotel and Motel Association

HOTEL	ADDRESS	PHONE	ROOMS SINGLE OCCUPANCY	DOUBLE ROOM TWO PERSONS	TWIN ROOM TWO PERSONS	SUITES PARLOR	SUITES PARLOR TWO BEDROOMS
AMBASSADOR HOTEL	14th and K Sts., N.W	628-8510	$17.50-22.50	$21.50-32 50	$21 50-32 50	$32.50	$ 51 00
ANTHONY HOUSE	1823—L St., N.W	223-4320	26 00	30 00	30.00		
BELLEVUE	15 E St , N W	638-0900	10.00-14.00	18 00-18 00	16 00-18 00	24 00	
BRIGHTON	2123 California St . N W.	667-4430	15.00	19 00	19 00	22 00- 40.00	
BURLINGTON	1120 Vermont Ave.. N.W.	765-2222	19 50-22 00	22 00-26.50	22 00-26.50	23.00- 33 00	
CLARIDGE	820 Connecticut Ave . N W	783-5240	15 00-18.00	18.00-22.00	18 00-22 00	22.00- 35.00	
COMMODORE	North Capitol at F St	628-2300	15.00	21 00	21 00		
DUPONT PLAZA	1500 New Hampshire Ave.. N W	483-6000	23 00-31 00	30 00-40.00	30 00-40 00	60 00- 90.00	85 00
EBBITT	10th and H Sts N W	626-5034	12 00-14 00	16 00-18 00	16 00-18 00		
EMBASSY ROW	2015 Massachusetts Ave . N W	265-1600	26 00-34 00	30 00-42 00	30 00-42 00	50 00-106 00	90.00-118.00
EXECUTIVE HOUSE	1515 Rhode Island Ave.. N W	232-7000	23 00-26 00	29 00-34.00	29 00-34 00	52 00- 95.00	
GEORGETOWN DUTCH INN	1075 Thos. Jefferson St . N.W	337-0900	28 00-32 00	32 00-36 00	32 00-36 00	28 00- 48 00	45 00- 80.00
GEORGETOWN INN	1310 Wisconsin Ave . N W	333-8900	31.00-38 00	38.00-45 00	38 00-45 00	60 00- 65.00	96 00-105.00
GRAMERCY INN	1616 Rhode Island Ave . N W	347-9550	30 00-35 00	40.00-45 00	40.00-45 00	65.00	125.00-150 00
HARRINGTON	11th and E Sts N W	628-8140	13 00-15 00	16 00-18 00	16 00-18 00		
HAY-ADAMS	800—16th St N W	638-2260	30 00-58.00	37 00-55 00	41.00-65 00	80.00-125 00	123 00-180 00
HOLIDAY INN-CENTRAL	1501 Rhode Island Ave . N W	483-2000	22 00-30 00	27 00-39 00	30 00	39 00	
HOLIDAY INN-DOWNTOWN	1615 Rhode Island Ave N W	296-2100	22 00-26 00	28 00	32 00-40 00	36 00- 41.00	
HOLIDAY INN	1900 Connecticut Ave . N W	332-9300	24 00	28.00	31 00	50 00	80 00
HOLIDAY INN-PARKWAY	2700 New York Ave . N E	832-3500	18 00-23 00	24 00-30 00	29 00-30 00		
HOWARD JOHNSON'S MOTOR LODGE	2601 Virginia Ave N W	965-2700	22 00-24 00	25 00-28 00	28.00	75 00	110 00
JEFFERSON	1200—16th St . N W	347-4704	25 00-30 00	30 00-35 00	30 00-35.00	50 00- 75 00	80 00-105 00
LOEWS L'ENFANT PLAZA	480 L Enfant Plaza East. S W.	484-1000	32 00-41 00	40 00-49 00		70.00-150.00	100.00-200.00
MADISON	15th and M Sts . N W	785-1000	38 00-48 00	54 00-56 00	46.00-56.00	90 00-135 00	150 00-180 00
MAYFLOWER	1127 Connecticut Ave . N W	347-3000	26 00-40 00	37 00-48 00	38 00-48 00	65 00-105.00	95.00-248 00
MID-TOWN MOTOR INN	1201 K St N W	783-3040	21 00	26 00	27 00-28 00	45 00- 55.00	75.00- 85.00
NATIONAL	1808 Eye St . N W	628-5566	12 00	16 00	16 00	16 00- 19 00	
PICK-LEE HOUSE	15th and L Sts . N W.	347 4800	21 00-26 00	27.00-31 00	27.00-31.00	47 00- 60.00	73.00- 91.00
QUALITY INN-CAPITOL HILL	415 New Jersey Ave . N W	638-1616	24 60-30.60	28.60-34 60	28 60-34 60	65 00-100 00	95.00-105 00
QUALITY INN-NORTHEAST	1600 New York Ave . N E.	832-3200	18 00-20 50	24 00-26 50	24 50-27 50		
RAMADA INN-DOWNTOWN	10 Thomas Circle. N W.	783-4600	24 00-28 00	29 00-35 00	29 00-35.00	65.00- 75.00	95 00
ROGER SMITH	Penna Ave at 18th St N W	298-7200	20 00-31 00	24 50-33 00	27.50-33 00	49 00- 55 00	
SHERATON CARLTON	16th and K Sts N W	638-2626	29 00-39 00	37 00-47 00	37 00-47 00	70 00- 85 00	110 00
SHERATON PARK	2660 Woodley Road. N W	265-2000	26 00-37.00	36.00-47 00	36.00-47 00	55 00-130 00	125 00
SHOREHAM AMERICANA	2500 Calvert St., N W	234-0700	28 00-36 00	34 00-48.00	34 00-46 00	60.00-100 00	100 00-145.00
SKYLINE INN	10 Eye St., S W.	547-7500	24 00-30 00	28 00-32.00	26 00-32.00	45.00- 60 00	75.00- 90.00
STATLER HILTON	16th and K Sts . N W	393-1000	26 00-38 00	37.00-49.00	37.00-49 00	89 00 and up	124.00-205.00
WASHINGTON	Penna Ave at 15th St., N W	638-5900	28.00-30 00	32 00-36.00	32 00-36.00	70 00- 75.00	110 00 and up
WASHINGTON HILTON	1919 Connecticut Ave.. N.W	483 3000	30 00-38 00	42 00-50.00	42.00-50 00	95.00-200 00	144 00-250.00
WATERGATE	2650 Virginia Ave . N W	965-2300	32 00-45 00	42 00-55 00	42.00-55 00	90 00	160 00

6% District of Columbia Sales Tax not included in rates

Revised as of May 1974, and subject to change without notice

(See Other Side for Additional Information)

APPENDIX VI

COST IMPACT STATEMENT AND AGENCY COMMENTS ON PROPOSED INCREASES IN PRIVATELY-OWNED VEHICLE AND AIRCRAFT MILEAGE ALLOWANCES

In January 1974 studies were completed which concluded that the present statutory mileage allowances for use of privately owned aircraft (POA) and vehicles (POV) on official business were inadequate.

The study entitled "Present Cost of Operating Privately Owned Automobiles" concluded that the cost of operating a privately owned automobile was 14.4 cents per mile in December 1973. It was recommended that legislation should be sought to increase the maximum mileage allowance for use of a privately owned automobile from the present maximum of 12 cents a mile to 18 cents per mile. It was also recommended that the Federal Travel Regulations be amended to increase the mileage allowance from 11 cents to the statutory maximum of 12 cents per mile. The second recommendation was accomplished effective February 8, 1974.

With regard to the allowances for use of privately owned aircraft, our study entitled "Study of Operating Costs for Privately Owned Aircraft" established that the cost of operating a private aircraft was approximately 20.6 cents per mile in December 1973. Accordingly, we recommend legislative action to increase the mileage rate for privately owned aircraft from the present statutory maximum of 12 cents to 24 cents per mile. We also recommended that employees be separately reimbursed for landing, parking, and tiedown costs, in addition to the mileage allowance, when a privately owned aircraft is used on official business.

In order to assess the cost impact of the recommendations, a letter dated October 12, 1973, was forwarded to nine executive agencies outlining our proposals. The letter asked that each agency submit the number of POV miles traveled during FY73, which were payable at the 11-cent rate (now 12 cents), and the number of POA miles traveled during FY73. These agencies were also asked to comment on our proposals; their comments have been summarized in Annex 3.

The mileage information furnished by these agencies is summarized in Annex 1. They have collectively estimated approximately 231 million miles of POV travel at the 12-cent rate, and 1 million miles of POA travel. Although the Defense Department could not furnish the requested data, they indicated that POA travel would be minimal.

Based on a previous travel survey, in which all agencies participated, we estimate that the eight agencies shown in Annex 1 account for approximately 55.5 percent of the total Government travel. If the POV mileage for 55.5 percent of the agency travel is 231 million miles, then all agencies (including DOD) should generate approximately 416 million miles of POV travel, computed as follows: 231 million miles over 55.5 percent of travel equals x miles over 100 percent of travel or x equals 231(100) over 55.5 percent equaling 416 million miles.

Each 1-cent increase in the mileage allowance could then increase total annual POV travel costs by $4.16 million. However, it is felt that the actual impact will be less, as most of the agencies selected to participate in the mileage survey are relatively large users of POV transportation. Accordingly, we feel that the cost impact of a 1-cent increase in the mileage allowance would range from $3.5 to $4 million; specifically, we feel that $3.8 million would be a reasonable estimate of the additional costs. Annex 2 shows the cost impact of each 1-cent change from 11 to 18 cents.

The additional costs associated with an increase in the mileage allowance for privately owned aircraft are based on the mileage data reported by the eight agencies shown in Annex 1. Since these agencies account for nearly all of the POA mileage, no further adjustments were made to reflect the impact of the agencies which were not surveyed. The total distance traveled by POA in 1 year approximates 1.1 million miles. Accordingly, a 1-cent increase in the POA mileage allowance would increase costs by $11,000. Annex 2 shows the cost impact of changes in the mileage allowances from 12 to 24 cents.

The data shown in Annex 2 indicates that an increase in the statutory POV mileage rate from 12 to 18 cents could cost an additional $22.8 million, and an increase in the statutory POA mileage rate of 24 cents could raise costs by $132,000. However, these limits are maximums and would only be allowed if justified in future cost studies.

If legislation is passed to increase the POV allowance to 18 cents, the travel regulations will prescribe a rate of 14 cents (based on current costs) for standard size automobiles, and a rate 25 percent lower for compact and subcompact cars. The total cost impact of a rate increase from 12 to 14 cents will approximate $7.6 million. This estimate, however, does not include the savings which will accrue from the lower compact rate, which, at present, are impossible to estimate.

If the statutory POA mileage allowance is increased from 12 to 24 cents, the travel regulations will prescribe a rate of 20 cents (based on current costs). The total additional cost of this action will approximate $88,000. There will be some added costs as a result of the proposal to separately allow landing, parking, and tiedown fees, however, these should be minimal in comparison with the mileage rate increase.

In summary, while the maximum cost impact of our legislative proposals could be $22.9 million ($22.8 million for POV travel and $.1 million for POA travel), a more reasonable estimate of the actual impact would be $7.7 million ($7.6 million for POV travel and $.1 million for POA travel).

ANNEX 1

PRIVATELY OWNED VEHICLE AND AIRCRAFT MILEAGE BY AGENCY, MILES TRAVELED

Agency	Privately owned vehicle [1]	Aircraft
Interior	9,347,070	145,400
HUD	42,186,398	
Labor	2,600,000	52,000
Agriculture	15,000,000	20,000
Transportation	6,500,000	750,000
Commerce	22,911,000	31,582
HEW	42,414,100	45,884
Treasury	89,770,221	8,500
Total	230,728,789	1,053,366

[1] Miles of travel consist only of miles payable at the 12-cent rate.

ANNEX 2

COST IMPACT TABLES, PRIVATELY OWNED VEHICLES

Mileage rate	Total cost (millions)	Cumulative cost increase (millions)
12 cents per mile	$45.6	(1)
13 cents per mile	49.4	$3.8
14 cents per mile	53.2	7.6
15 cents per mile	57.0	11.4
16 cents per mile	60.8	15.2
17 cents per mile	64.6	19.0
18 cents per mile	68.4	22.8

[1] Not available.

PRIVATELY OWNED AIRCRAFT

Mileage rate	Total cost	Cumulative cost increase (millions)
12 cents per mile	$132,000	(1)
19 cents per mile	209,000	$77,000
20 cents per mile	220,000	88,000
21 cents per mile	231,000	99,000
22 cents per mile	242,000	110,000
23 cents per mile	253,000	121,000
24 cents per mile	264,000	132,000

[1] Not available.

ANNEX 3

AGENCY COMMENTS ON GSA PROPOSAL TO INCREASE POV/POA MILEAGE ALLOWANCES

Department of the Interior. They feel that the proposed rate increases are needed to fairly and equitably reimburse employees. They also felt that if a lower rate is established for compact cars, GSA should define "Compact Automobile".

Department of Housing and Urban Development. They believe that the proposed rate increases are justified.

Department of Labor. They support the proposed rate increases as well as separate reimbursement for airport fees in connection with the use of POA travel.

Department of Defense. They support the proposed rate increases and feel that GSA should recommend to Congress that the statutory maximum allowances be removed.

Department of Agriculture. They concur with our proposals but feel that the 9-cent rate for the use of a POV when a Government-owned vehicle would be advantageous should also be raised. They feel that if the 9-cent rate is not increased, more travelers will request Government-owned vehicles and if vehicles cannot be provided, reimbursement would be at the maximum rate rather than at the 9-cent rate.

Department of Transportation. They commented that they share our interest in assuring that equitable mileage allowances are established and our concern for the cost impact of increases in the mileage rates.

Department of Commerce. They support the proposed rate increases.

Department of Health, Education, and Welfare. They concurred with our proposals to increase the maximum statutory mileage allowances for use of POV and POA.

The Department of the Treasury. They concurred with our proposals to increase the mileage allowances.

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